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## **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)**

### **CLARIFICATION ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2013**

Reference is made to the prospectus of Wison Engineering Services Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated December 13, 2012 (the “**Prospectus**”) and the annual report of the Company for the year ended December 31, 2013 (the “**2013 Annual Report**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2013 Annual Report.

Further to the information disclosed in the 2013 Annual Report, the Company wishes to provide the shareholders of the Company and the market with the following supplemental information.

#### **NON-COMPETITION DEED**

As disclosed in the Prospectus, each of Wison Group Holding Limited (“**Wison Holding**”), Wison Engineering Investment Limited (“**Wison Investment**”) and Mr. Hua Bangsong (“**Mr. Hua**”, together with Wison Holding and Wison Investment, the “**Controlling Shareholders**”) has given certain non-competition undertakings in favour of the Company under the non-competition deed dated November 30, 2012 (the “**Non-Competition Deed**”).

The Company would like to clarify that the Company has received an annual declaration from each of the Controlling Shareholders (except Mr. Hua who was assisting relevant authorities in the PRC in connection with their enquiries and has remained uncontactable) confirming that each of them (except Mr. Hua) has complied with the Non-Competition Deed for the year ended December 31, 2013. Each of the Controlling Shareholders (except Mr. Hua) also confirmed in the said annual declarations that none of them (except Mr. Hua) had any interest in a business, other than the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended December 31, 2013. The independent non-executive directors of the Company (the “**Independent Non-executive Directors**”) have reviewed the said annual declarations as part of their annual review process.

In determining whether the Controlling Shareholders had complied with the Non-Competition Deed for the year ended December 31, 2013, the Independent Non-executive Directors noted that:

- (a) Wison Investment and Wison Holding have confirmed that they have complied with the Non-Competition Deed for the year ended December 31, 2013;
- (b) no competing business was reported by the Controlling Shareholders for the year ended December 31, 2013;
- (c) the Company, as part of its business planning and development function, constantly monitors the trend of and business opportunities in the market in which the Group operates, and is familiar with the existing and potential players/competitors in the market. The Company is not aware of any situation which indicates that any of the Controlling Shareholders have breached the Non-Competition Deed for the year ended December 31, 2013; and
- (d) although Mr. Hua did not provide any annual declaration relating to the compliance status of the Non-Competition Deed for the year ended December 31, 2013 because he has remained uncontactable, Mr. Hua has confirmed in the Prospectus that he does not have any interest in any competing business.

In view of the above, the Independent Non-executive Directors are satisfied that the Non-Competition Deed was complied with for the year ended December 31, 2013.

## **HIGH CONCENTRATION OF CUSTOMERS**

As disclosed in the 2013 Annual Report, for the year ended December 31, 2013, the five largest clients of the Group, in aggregate, counting each subsidiary of PetroChina Company Limited (“**PetroChina**”) on a standalone basis, accounted for approximately 59.9% of the total revenue of the Group. For the same period, the five largest clients, in aggregate, counting revenue derived from PetroChina and its subsidiaries and China Petroleum & Chemical Corporation (“**Sinopec**”) and its subsidiaries, respectively, on a group basis, accounted for approximately 59.9% of the total revenue of the Group. Revenue derived from the single largest client for the same period, counting each subsidiary of PetroChina on a standalone basis, amounted to approximately 23.5% of the total revenue of the Group.

For the year ended December 31, 2013, the five largest clients include four independent parties and one of the Company’s fellow subsidiaries. Amongst these four independent parties, two of which are domestic enterprises and the other two are overseas enterprises. The Group provided engineering, procurement and construction management (“**EPC**”) services to these clients.

The Company has maintained business relationship with these major clients for a period of two to three years. The Company grants to them a credit period of 90 days, which is in line with the Group’s general credit policy. As at December 31, 2013, trade and bills receivables from the Group’s five largest clients is not significant. As the Company believes that the credit risk of non-payment by these clients is relatively small so the Company does not consider provisions to be necessary.

It is a characteristic of the industry in which the Group operates that a significant proportion of revenue derives from a limited number of clients in a given period of time. The Group mainly engages in the provision of EPC services, and typically provides services in respect of large-scale petrochemical and coal-to-chemicals projects, which are heavily capital and resources consuming. Therefore, certain large projects in a given period will normally take up a considerable portion of the Group's resources, including capital and manpower. As a result, the revenue for that given period derived from such projects and project owners whom the Group provides services to accounts for a significant proportion of the Group's total revenue for that given period.

Since the Group has a relatively limited client base due to the nature of the industry, if the Group fails to complete the construction work of such major projects or if the projects with such major clients are terminated before completion, the Group's business, results of operations and financial condition may be adversely affected.

In order to further diversify the Group's sources of revenue and reduce the Group's reliance on major clients, the Company has been continuously carrying out various measures to cover more mid- to large-size petrochemicals producers, expand the Group's business in the oil refineries and coal-to-chemicals business segments and expand into the international markets.

As a result of these measures, the Group's reliance on its major clients has been significantly reduced since 2011. The table below sets forth the percentages of total revenue derived from the single largest client and five largest clients for the years ended 31 December 2011, 2012 and 2013:

|  | <b>For the year ended 31 December</b> |             |             |
|--|---------------------------------------|-------------|-------------|
|  | <b>2011</b>                           | <b>2012</b> | <b>2013</b> |
| Five largest clients in aggregate (counting each subsidiary of PetroChina on a standalone basis)   | 93.7%                                 | 85.1%       | 59.9%       |
| Five largest clients in aggregate (counting revenue derived from PetroChina, Sinopec and their respective subsidiaries on a group basis) | 96.7%                                 | 85.1%       | 59.9%       |
| Single largest client (counting each subsidiary of PetroChina on a standalone basis)   | 51.3%                                 | 29.2%       | 23.5%       |

The Company will continue to carry out such measures in order to further reduce its reliance on major clients in the future.

#### **INCREASE IN TRADE AND BILLS RECEIVABLES**

As disclosed in the 2013 Annual Report, as at December 31, 2013, the Group had trade and bills receivables of RMB261,567,000, of which RMB191,474,000 (representing approximately 73.2% of the Group's trade and bills receivables) was overdue. As at December 31, 2012, the Group had trade and bills receivables of RMB161,214,000, of which RMB78,243,000 (representing approximately 48.5% of the Group's trade and bills receivables) was overdue.

The increase in overdue trade and bills receivables from 2012 to 2013 is mainly due to the delay in settlement of contract payments from certain project owners. Such project owners were granted a credit period of 90 days, which is in line with the Group's general credit policy.

Some project owners are cautious about the impacts on the Company brought about by the demand from banks for repayment of loans and therefore have adopted conservative payment policies towards the Company. Also, certain project owners were experiencing short-term cash flow issues which also resulted in their delay in settlement of contract payments.

The Company has been actively communicating with the relevant project owners with a view to formulating plans for their prompt settlement of the overdue receivables. In addition, the Company has been closely following up with those project owners which were experiencing short-term cash flow issues so as to better understand their financial positions. The Group has maintained a favourable long-term business relationship with these project owners and the negotiations between the Company and the project owners are satisfactory. The Company is not aware of any circumstances which indicate that such project owners may default in settling their contract payments. In any case, the Company reserves all its legal rights to bring legal proceedings against the relevant project owners for the repayment of the overdue receivables, where necessary.

Subsequent to December 31, 2013, an amount of trade receivables totalling RMB26,144,000 has been settled in cash.

This announcement aims to provide further information relating to the Group and does not affect the information contained in the 2013 Annual Report.

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

Hong Kong, September 11, 2014

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