Annual Report 2012

Wison Engineering Services Co. Ltd.

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

WISON

Passion Powering Progress

Content

WISON ENGINEERING SERVICES CO. LTD.
Annual Report 2012


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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hua Bangsong *(Chairman)*

Mr. Liu Haijun

Mr. Chen Wenfeng

Independent Non-executive Directors

Mr. Liu Ji

Mr. Choy Sze Chung Jojo

Mr. Wu Jianmin

AUDIT COMMITTEE

Mr. Choy Sze Chung Jojo *(Chairman)*

Mr. Liu Ji

Mr. Wu Jianmin

NOMINATION COMMITTEE

Mr. Wu Jianmin *(Chairman)*

Mr. Choy Sze Chung Jojo

Mr. Hua Bangsong

REMUNERATION COMMITTEE

Mr. Liu Ji *(Chairman)*

Mr. Wu Jianmin

Mr. Hua Bangsong

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

1399 Zhangheng Road

Zhangjiang Hi-Tech Park

Pudong New Area

Shanghai 201203

PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street

P.O. Box 1350

George Town

Grand Cayman KY1-1108

Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

COMPANY SECRETARY

Ms. Luk Wai Mei

AUTHORISED REPRESENTATIVES

Mr. Chen Wenfeng
Ms. Luk Wai Mei

AUDITORS

Ernst & Young

PRINCIPAL BANKS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
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181 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Financial Summary

	For the year ended or as at December 31,			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Results				
Revenue	**4,891,908**	5,036,622	4,976,220	1,884,387
Gross profit	**1,139,631**	1,206,727	1,220,409	559,226
Profit before tax	**699,929**	795,217	818,659	295,252
Income tax	**(165,606)**	(205,504)	(182,639)	(65,309)
Profit after tax and total comprehensive income for the year	**534,323**	589,713	636,020	229,943
Attributable to:				
Owner of the parent	**466,812**	518,753	567,685	206,642
Non-controlling interests	**67,511**	70,960	68,335	23,301

Financial Summary

	For the year ended or as at December 31,			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities				
Non-current assets	**1,058,375**	680,641	332,207	332,956
Current assets	**6,610,645**	3,538,712	5,613,386	3,809,264
Current liabilities	**5,266,080**	3,150,944	4,548,269	3,499,782
Net current assets	**1,344,565**	387,768	1,065,117	309,482
Total assets less current liabilities	**2,402,940**	1,068,409	1,397,324	642,438
Non-current liabilities	**350,750**	263,986	382,019	263,153
Net assets	**2,052,190**	804,423	1,015,305	379,285
Issued capital	**324,560**	1	—	—
Reserves	**1,576,376**	649,325	841,013	273,328
Non-controlling interests	**151,254**	155,097	174,292	105,957
Total equity	**2,052,190**	804,423	1,015,305	379,285
Earnings per share				
Basic	**RMB0.13**	n/a	n/a	n/a
Diluted	**RMB0.13**	n/a	n/a	n/a

Chairman's Statement

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2012 was a year of great significance for Wison Engineering Services Co. Ltd. (the "Company", together with its subsidiaries, the "Group"). Ever since its establishment, the Group has been committed to providing high-quality integrated engineering and technical services to the petrochemicals, oil refinery and coal-to-chemicals industries, and has become the largest private sector chemical EPC (engineering, procurement and construction management) service provider in China. In 2012, the Group achieved historical breakthroughs in different areas, securing a number of petrochemical and oil refinery projects in overseas markets including Saudi Arabia and Venezuela, and making considerable progress in technological innovation and market expansion in coal-to-chemicals business. Thanks to our increasingly diversified business portfolio and improved customer structure, our new contract value and backlog achieved high growth rate as compared to last year. More importantly, with the support of its shareholders, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 28 December 2012, marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

In recent years, the demand for energy has been growing along with the development of global economy. In particular, the prolonged growth of China's economy has driven the continuous capacity expansion of the petrochemicals, oil refinery and coal-to-chemicals industries, providing enormous opportunities for the development of the EPC industry. With the rising importance of China in the global economy, we believe that Chinese engineering companies will surpass their peers in Europe, the U.S., Japan and Korea and become the leaders of the global energy engineering service industry in the near future. The next era of energy service industry will also belong to Chinese engineering companies. On the other hand, technological innovation has boosted the upgrading of the oil refinery and coal-to-chemical industries and led to the restructuring of the petrochemicals industry featuring project expansion and integration. This creates a wealth of opportunities for the development of the Group as well as the EPC industry. The strategic objective of the Group is to become a world class engineering company in China. By capitalising on the business opportunities arising in the domestic and overseas markets and adhering to its comprehensive

Chairman's Statement

business strategy of sustainable growth, the Group will strive to emerge as a world-class enterprise that provides satisfactory project solutions to its customers.

REVIEW

In 2012, amid the slackened global economic growth, the developed economies, emerging markets and developing economies were all exposed to various difficulties. China was no exception, reflecting sluggish economic growth. The operational results of the Group were also impacted by the cyclical nature of its business. As revenue gained from service contracts is recognized according to the percentage of completion of individual projects, revenue and the profit attributable to the owners of the parent for the year ended 31 December 2012 (the "Year under Review") decreased to RMB4,891.9 million and RMB466.8 million, respectively, as compared to 2011, due to a number of major projects undertaken by the Group not having entered the principal construction phases during the Year under Review.

Nevertheless, the Group's diversified business portfolio has facilitated an increase in the amount of newly-signed contracts during the year and laid a solid foundation for the Group's future development. In the year ended 31 December 2012, the Group's backlog and new contracts value, net of estimated value added tax ("VAT"), amounted to RMB27,341.1 million and RMB20,759.7 million, representing an increase of 137.9% and 67.2%, respectively, as compared to last year, indicating a healthy business development and good revenue visibility of the Group.

In the domestic market, the Group further strengthened its well-established leading position in the petrochemicals industry. The domestic market share of our cracking furnaces for 2012 exceeded 84%. In the meantime, the Chinese government has advocated reducing reliance on petroleum and promoting the use of coal resources in a more environment friendly manner, which provided favourable conditions for the rapid development of the coal-to-chemicals industry. The Group promptly seized this opportunity and stepped up its efforts in expanding its coal-to-chemicals business. The new contract value of coal-to-chemicals business sector, net of estimated VAT, in 2012 amounted to RMB12,755.4 million, representing a surge of 86.5% as compared to 2011.

With regards to the overseas market, while capitalizing on the opportunities arising from emerging economies in the Middle East and South America that possess abundant oil and gas resources, the Group managed to secure a number of new projects in Saudi Arabia and Venezuela and established overseas sales office in Venezuela in addition to its existing branches in Saudi Arabia and Indonesia.

In the area of project management, the Group aims at providing world-class project management and services for its clients. It has established solid and mutually beneficial relationships with international licensors and renowned domestic design and research institutes. Riding on its years of practice in engineering services, the Group has gained extensive knowledge and experience in advanced project management both home and abroad. In 2012, the Group had 25 large-scale major projects under construction or being completed, including 15 new projects under construction, 9 projects that were successfully completed and delivered and 1 project that was mechanically completed. The Group minimized its project risks and improved its operational efficiency through strict control over the various project phases including design, engineering, procurement, construction and trial run.

Chairman's Statement

The Group is committed to becoming an engineering services provider with core technology advantages. As new coal-to-chemicals technologies have developed rapidly in China in recent years, we further increased our investment in the development of coal-to-chemicals processing as well as efficient clean coal utilization technology. We have made outstanding achievements in winning patents and the commercialization of the proprietary technologies. In particular, the light olefin separation technologies developed by the Group received a positive response from customers and have been applied in several projects. In 2012, the Group cooperated with Shell Global Solutions to jointly develop a new hybrid gasification technology to convert low-cost feedstock such as coal into more valuable products, creating enormous business opportunities for the Group's future development in the coal-to-chemicals industry.

OUTLOOK

As the demand for energy increases alongside economic development, further capital investment will be injected into the petrochemicals and oil refinery industries. Given China's energy structure of abundance in coal but a shortage in crude oil, the Chinese government has formulated a long-term energy strategy of substituting oil with coal. Together with enhancements in resources utilization, production efficiency and environmental standards through technology innovation, new coal-to-chemicals projects are bound to demonstrate tremendous growth potential, which will open up significant opportunity for the Group.

Looking ahead to 2013, the global economy is expected to pick up gradually, albeit with occasional fluctuations. Despite the volatile economic conditions, China will maintain stable growth at a macro level. The application of sophisticated large-scale exploitation technology in the North American shale gas market and the supportive measures on the exploitation of coal-bed methane gas recently pushed forward by the Chinese government will bring more opportunities for the industry in which the Group operates.

To capture these promising prospects, the Group will implement a comprehensive business strategy to strive for business growth by diversifying its customer structure, regional market and business scope, which will further be driven by its technological innovation. The Group plans to establish sales and marketing operation in Xinjiang, Inner Mongolia, Shanxi, Shaanxi, Yunnan and Guizhou Provinces in 2013 to proactively expand its customer base in the petrochemicals, oil refinery and coal-to-chemicals markets in China. Meanwhile, by capitalizing on its rich experience of building milestone projects in the Chinese market, the Group will further expand into the overseas emerging markets such as the Southeast Asia, the Middle East, West Africa and Latin America where there is increasing demand for petrochemical products so as to continuously step up business globalization. The Group will also expand and penetrate its business on one hand by extending the upstream and downstream businesses in petrochemicals, oil refinery, coal-to-chemicals such as ethylene downstream and elaborate chemical units; and on the other hand, by enriching the service scope to provide clients with more value-added services spanning from preliminary planning and consultation to the whole project life cycle.

The Group will also explore new businesses and improve its capabilities in core technology development to establish its key competitive edge with new prospectus for future growth. The Group will boost investment in research and development in 2013 to promote technological innovation. Apart from our R&D center in Shanghai, which will be completed and will commence operation soon, we also plan to establish a R&D center in Beijing so that we can further enlarge our R&D team to enhance our R&D capability. We will further develop and

Chairman's Statement

upgrade our core technology by establishing cooperative relationships or alliances with domestic and overseas R&D institutes; we will also focus on the development of new technologies of coal-to-chemicals and high value-added downstream methanol products. In response to the global rise of natural gas development, the Group will also develop new technologies in shale gas, oil and gas pre-processing as well as liquidified natural gas (LNG) modularization to further expand the scope of its business.

In the area of operation management, the Group will continue to improve its corporate governance to establish a scientific and efficient operating mechanism. Meanwhile, by making reference to the leading world-class engineering companies, the Group will establish processes and systems of international standards to standardize, regulate and streamline our project management and improve our resource integration capability, so as to strengthen our overseas project execution and risk control capabilities, building a solid platform for the Group to achieve internationalization.

As an engineering service provider, professional talents are the key to our success. In 2013, we will attach greater importance to cultivating a diversified corporate culture, creating a favorable internal and external working environment. We will accelerate our efforts to attract talent by providing competitive remuneration and career prospects so as to strengthen our advantages in human resource and to diversify our talent pool. Further to a continued integration of internal resources, the Group will establish an effective incentive mechanism while further improving the training and talent development schemes. Moreover, information technology system is also important to facilitate the improvement of our overall management efficiency and EPC capacity. The Group will improve and optimize its online project management platform and enhance the integration of application software to smooth the information flow, as well as to improve the efficiency and quality of project management and to reduce operational risks.

As the largest private sector chemical EPC service provider in China, the Group has established a high reputation in the industry, being well recognized for its excellent service quality, proven track record in project management and professional teams. We are well positioned to seize the favorable market opportunities to accelerate our business expansion and achieve a stable and sustainable profitability. We are committed to improving service quality and corporate governance persistently in return for the support of the shareholders, customers and all walks of society. Meanwhile, we will endeavour to realize our vision of becoming a world-class engineering service company that provides satisfactory project solutions to our customers.

ACKNOWLEDGEMENT

On behalf of the Board, I hereby extend our gratitude to all shareholders, customers and business partners for their trust and support over the years, and to the management and staff for their dedication and contributions.

While providing quality services to our customers and maximizing value for our shareholders we also strive to become a good corporate citizen, assuming social responsibilities of a public corporation to its staff, clients, shareholders, communities and environment.

Hua Bangsong
Chairman

Hong Kong, 27 March 2013

Business Overview

INDUSTRY REVIEW

The global economy was fraught with challenges and uncertainties in 2012, with weak recovery seen in major advanced economies and slowdowns in China and other Asian economies in the first half of 2012. However, thanks to modest growth in China with the gradual improvement of the external environment in the second half of the year, the rising demand for resources fuelled the expansion of global production capacity.

According to CMAI (Shanghai) Limited, an independent industry consultant, driven by steady economic development in China and the continuous expansion of the country's automotive industry, China's oil refinery capacity in 2012 amounted to 626 million tons. In 2012, China's capacity additions for oil refinery increased by 6.5% year-on-year to 35 million tons. One-off crude oil processing capacity in China amounted to 575 million tons, that exceeding growth in petroleum consumption by 2.5 percentage points. With the higher production capacity, oil refinery capacity was further consolidated to cater for a more structural and a larger scale of production. With 20 oil refineries in China of over ten million tons in production capacity as at August 2012, the number of large-scale refinery and petrochemical complexes will continue to increase. China, as one of the world's largest petrochemicals markets, saw growing production capacity for ethylene, the key petrochemicals building block, which increased by 1,400 kta in 2012, up 8.9% compared to the previous year. Total production capacity of ethylene in China amounted to 17,095 kta, an increase of 8.9% compared to the previous year. ***(Source: "2012 China Petroleum & Petrochemical Industry Overview", Shanghai SteelHome Information Technology Co., Ltd, February 2013)***

In terms of coal-to-chemicals, the Chinese government has promoted the development of the coal-to-chemicals industry and called for reducing dependency on petroleum. It has also advocated using coal resources in a more environmentally friendly manner, creating a favourable environment for the rapid development of the coal-to-chemicals industry. According to the estimation of ASIACHEM consulting, as at December 2012, there would be 39 coal-to-synthetic natural gas projects under planning, preparation, construction or commissioning in China, involving a total investment of about RMB671.4 billion. There are a total of 52 coal-to-olefins (including methanol-to-olefins, with methanol purchased from third parties) projects which will slate for construction in China, including those which have commenced operation and have been commissioned, within the next three years.

There are a total of 22 coal-to-liquids projects under planning and construction involving a total investment of about RMB473.0 billion, and 30 coal-to-ethylene glycol projects under planning and construction involving a total investment of about RMB52.0 billion. ***(Source: "China Coal to Liquids, Coal to Olefins, Coal to Ethylene Glycol and Update & Analysis 2012", ASIACHEM Consulting, July 2012)***

In the overseas market, there was considerable activity in energy industry in the Middle East and Africa. Investment in resources by the Gulf states in the Middle East are expected to exceed US$100 billion in the next several years, with total project investment exceeding US$30 billion per year. Leveraging their abundant petroleum reserves and unique geographical and political advantages, Africa and South America have emerged as new markets with the most active petroleum exploration activities in the world. Both regions have become popular investment destinations for Chinese investors. ***(Source: Analysis on Future Development of the Global Oil Refining Market and Investment in the Petrochemical Industry (世界各國未來煉油市場發展趨勢及石化行業投資分析) released by Professor QianBozhang in October 2012)***

In addition to steady growth in demand for resources in both domestic and overseas markets, the global petrochemicals industry has also undergone restructuring with projects transforming to large scale and integrated complex. Owners of engineering, procurement and construction management ("EPC") projects further outsourced relevant projects to EPC service providers. The technological advancements in oil refinery and coal-to-chemicals industries also expedited industrial upgrades, bringing significant business opportunities to the Group as well as the EPC industry.

FINANCIAL HIGHLIGHTS

For the Year under Review, the Group's revenue amounted to about RMB4,891.9 million, down 2.9% compared to 2011 (2011: about RMB5,036.6 million), principally due to the decrease in revenue from two of our principal business segments, petrochemicals and oil refineries, which was offset partially by the increase in revenue from coal-to-chemicals. Gross profit fell 5.6% to about RMB1,139.6 million, down compared to the previous year (2011: about RMB1,206.7 million). Profit after tax amounted to about RMB534.3 million, 9.4% lower

Business Overview

compared to the 2011 equivalent (2011: about: RMB589.7 million). Profit after tax attributable to owners of the parent was RMB466.8 million, representing a decrease of 10.0% compared to the previous year (2011: about RMB518.8 million). Due to the nature of its business, the Group can only recognize revenue for each financial year on the basis of the percentage of completed projects, given the relatively long contract period for each type of service solution it provides. With a number of major projects undertaken by the Group not having entered the principal construction phases during the Year under Review, the Group recorded a decline in revenue and profit in 2012.

As at 31 December 2012, the Group's backlog and new contract value, net of estimated VAT, were about RMB27,341.1 million and RMB20,759.7 million, representing an increase of 137.9% and 67.2%, respectively, over the last year. These were mainly attributable to the coal-to-chemicals and oil refineries segments. Backlog for coal-to-chemicals, oil refineries, petrochemicals and other products and services business segments accounted for 56.8%, 21.6%, 20.2% and 1.4%, respectively, while new contract value for coal-to-chemicals, oil refineries, petrochemicals and others products and services business segments accounted for 61.4%, 29.2%, 3.0% and 6.4%, respectively. Meanwhile, capitalizing on the substantial experience accumulated in China's EPC services industry, the Group expanded its presence in overseas markets to further diversify its revenue sources.

BUSINESS REVIEW

Business diversification

Petrochemicals

During the Year under Review, revenue from the Group's petrochemicals business segment was RMB455.7 million, down 71.9% from the previous year and accounting for 9.3% of total revenue. During the year, major projects, namely the PetroChina Sichuan LLDPE Plant Project, PetroChina Sichuan Ethylene Plant Project and PetroChina Fushun Ethylene Plant Project, were successfully completed and delivered on schedule, while work on the Chongqing BASF MDI Complex Project proceeded as scheduled. However, principal construction of the two projects in Sichuan Plant and the Ethylene Plant Project in Fushun was completed by the end of 2011, resulting in lower revenue contribution for 2012. Furthermore, gross profit margin in the petrochemicals business segment slightly decreased to 24.9% from 2011; the small change was primarily attribute to the model and mix of service provided during the year.

Despite intensifying competition, the Group secured satisfactory contract value by leveraging its proprietary technology and experience in the petrochemicals industry, its outstanding project execution capability and well-established network of business partners. During the Year under Review, backlog in the petrochemicals segment amounted to RMB5,534.0 million. New contract value, net of estimated VAT, amounted to 623.9 million. In particular, the Group entered into an EPC contract with a Saudi Arabian company for the Saudi Benzene Mitigation Project, which started in May 2012 and is slated for completion in December 2013.

Business Overview

The Group continued to provide EPC services to petrochemicals producers in China. During the Year under Review, the Group took part in ten major ethylene production facility construction projects for petrochemicals producers in the PRC and provided EPC services to PetroChina, BASF-YPC and SECCO. As one of the six companies in the world that possesses proprietary commercial ethylene cracking furnace technologies, and with its technological leadership, the Group undertook design, revamp and construction work on 26 ethylene cracking furnaces during the period.

The Group actively expanded its EPC services into the broader petrochemicals industry. Major projects include the Chongqing BASF MDI Complex Project. In June 2011, under an E+PsCM contract, the Group and Daelim Industrial Co., Ltd. commenced work on the building of the BASF MDI Complex in Chongqing, China, for BASF, which consisted of: (i) a MNB plant, (ii) an aniline plant, (iii) a CMDI plant, (iv) a MMDI plant, (v) tank farm/logistics and (vi) certain utility systems. The project is expected to be completed in around May 2014.

Oil refineries

While reinforcing its competitive advantage in the petrochemicals sector, the Group expanded into the coal-to-chemicals and oil refinery industries to diversify the scope of its business. During the Year under Review, revenue from the Group's oil refineries business was RMB301.6 million, down 87.7% from 2011 and accounting for 6.2% of total revenue. The decrease was mainly because the principal construction phases of major refinery projects during the Year under Review namely PetroChina Sichuan Continuous Reforming Plant and PX Plant Project, PetroChina Sichuan Gasoil Hydrocracking Plant Project, PetroChina Sichuan Sulfur Recovery Plant Project and PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project were completed by the end of 2011. Gross profit margin increase to 25.0%, up 2.3% from 2011. The increase was mainly due to the successful claims of certain projects from owners during the Year under Review, while most relevant costs has been recognized in previous years.

The Group was active in expanding its oil refineries business. During the Year under Review, the backlog of the Group was about RMB5,909.4 million, representing an increase of 3,556.8% over the last year, and the new contract value, net of estimated VAT, was about RMB6,054.9 million. In June 2012, the Group, as one of the Party, and PDVSA Petróleo, S.A., entered into an EPC contract involving environmental units, auxiliary units and renovation of the atmospheric distillation units with respect to the Deep Conversion Project at the Puerto La Cruz Refinery in Venezuela. The project is expected to be completed in February 2016.

Leveraging its in-depth knowledge of the petrochemicals industry in the PRC and outstanding EPC project execution capability, the Group completed construction of the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in Sichuan Province, China, under several PC contracts, in December 2012. This has been the Group's largest project in terms of project revenue recognized, and marked its first project undertaken by Group to build an integrated aromatics unit, the main unit of a refinery project.

Business Overview

Coal-to-chemicals

During the Year under Review, revenue from the Group's coal-to-chemicals business amounted to RMB3,173.2 million, representing an increase of 234.1% compared to the previous year, accounting for approximately 64.9% of total revenue. During the Year under Review, the Group made steady progress in various major projects, including the Baoji Methanol Project of Xuzhou Coal Mining Group, the Erdos Guotai Chemical Coal-to-Methanol Project, and the Pucheng Polyethylene Plant Project in Shaanxi that kicked off construction in March 2012. The big revenue boost exactly aligns the long-term development strategy of the Group in expanding coal-to-chemicals business. To support this strategy, the Group adopted a more aggressive approach in project bidding during the Year under Review, such as for PuCheng Project to gain more market share. As a result, overall gross profit margin of the business fell 1.5 percentage points to 23.8% compared to the previous year.

The Group recorded backlog and new contract value, net of estimated VAT, of approximately RMB15,516.5 million and RMB12,755.4 million, respectively during the year. These results were made possible by leveraging its proprietary technologies in the areas of coal-to-olefins, energy-saving coal-to-methanol and coal-to-dimethyl ether; as well as its one-stop services encompassing consulting services, transfer of proprietary technologies, design, procurement construction and commission of coal-to-chemicals plants.

In March and August 2012, the Group entered into an EPC contract with Pucheng Clean Energy Chemical Co. Ltd. to build a polyethylene plant and the PE/PP packaging warehouse, as well as an EM+PC contract for public utility and ancillary facilities in a 700 kta coal to olefins project in Shaanxi. Both projects are slated for completion around December 2013.

In May 2012, the Group entered into a contract and a master design contract with Jiangsu Sailboat PetroChemical Co., Ltd. to provide design and EPC services for its Alcohol Based Cogeneration Project (Phase I). This comprised the overall design of the project, an EPC overall contract for 600 kta MTO plant (including MTO reaction units, olefin conversion units, olefin separation units and butadiene units), an EPC contract for public utilities and ancillary facilities for Phase I, an EM+PC contract for a 350 kta EVA plant (including 250 kta tubular production line and a 100 kta caldron production line), an EM+PC contract for a 260 kta acrylonitrile plant, and an EM+PC contract for an 80 kta MMA plant (including sulfur waste recycling units). Jiangsu Sailboat Alcohol Based Cogeneration Project, marked the Group's largest project in terms of contract value. It is expected to be completed for delivery by the end of July 2015.

In August 2012, the Group signed a technology license, process design package compilation and technology service contract and an engineering design contract on both basic design and detailed design with Shandong Yang Coal Hengtong Chemical Co., Ltd for the olefin separation unit in its 300 kta methanol plant. The design work of this project is expected to be completed by the end of October 2013.

Business Overview

In September 2012, the Group signed a technology license, a technology service contract and an engineering design contract on overall design and basic design with Shenhua Coal to Liquid and Chemical Co., Ltd. for their 680 kta new coal-based materials project in Xinjiang, China. The basic design of the project is expected to be completed in May 2013.

The Group's proprietary olefin separation technologies were adopted in the PuCheng Clean Energy coal-to-olefins Project in Shaanxi, the Shandong Yang Coal Hengtong MTO Project and Shenhua Xinjiang Olefin Separation Unit Project.

Additionally, the Group completed successful delivery of a 600 kta coal-to-methanol project in December 2012 for Erdos Jinchengtai Chemical Co., Ltd in Erdos, Inner Mongolia, China, under an E+PM+C contract signed in April 2009.

Fuelled by the growth momentum in orders in 2012, the Group continues to win new orders in 2013. In March 2013, the Group entered into an engineering, procurement and construction contract with Shanxi Lu'an Mining (Group) (山西潞安礦業（集團）有限責任公司) for the gasification plant of the high sulfur coal to liquid, chemical, heat and power integration project in Shanxi Province.

Other products and services

The Group also provides EPC and PC services to other industries such as steel and marine engineering projects. Furthermore, Wison (Yangzhou) Chemical Machinery Co., Ltd. ("Wison Yangzhou"), a wholly-owned subsidiary of the Group, supplies heat-resistant alloy tubes and fittings to third party purchasers, primarily in the petrochemicals industry. The Group has actively sought to forge long-term relationships with the affiliates of industry leaders in the PRC petrochemicals market by providing tailor-made technologies and services to meet customers' overall business needs and the unique technical requirements of their projects.

During the Year, revenue from other products and services of the Group amounted to RMB961.4 million, representing an increase of 6,057.0% compared to 2011, mainly attributable to the revenue contribution from the construction of the fabrication yard of Zhoushan Wison Offshore & Marine Co., Ltd. which commenced in May 2012. In addition, revenue from sales of heat-resistant alloy tubes and fittings, excluding inter-segment sales, amounted to RMB24.9 million, an increase of 69.6%.

During the year, the Group entered into its first major EPC contract outside of China with a Saudi Arabian company for the Saudi De-Bottlenecking (DBN) Project, pursuant to which the Group provided services within and outside of Saudi Arabia. The project commenced construction in May 2012 and is expected to be completed in around September 2013.

Business Overview

Outstanding project management capabilities

The Group has accumulated extensive project experience in providing EPC services along with outstanding execution capabilities. Since 2000, all the petrochemicals, oil refineries and coal-to-chemicals production facilities built or renovated by the Group has successfully started up, thanks to the outstanding project planning and execution capabilities of the Group. With the focus on quality service, effective project cost and schedule control, almost all major construction projects of the Group were completed on or ahead of schedule. This enabled customers to start production sooner, boosting the utilization rate of production capacity. In 2012, 25 of the Group's major projects were under construction or had completed delivery, with 15 new large scale projects underway, 9 large-scale projects completed in high standards, and one in mechanical completion. The three milestone projects listed below were delivered to high standards, attesting to the Group's strengths in large-scale project management:

- At the end of December 2012, the six units of the PC project for the PetroChina Sichuan Integrated Refinery and Petrochemical Complex undertaken by the Group were delivered as scheduled.

- In October 2012, the PC project for the PetroChina Fushun 800 kta Ethylene Plant undertaken by the Group put into operation successfully.

- In 2012, the EPC project for the 600 kta Methanol Plant of Erdos Jinchengtai undertaken by the Group was successfully delivered in high standards.

Furthermore, the Group has maintained an excellent safety record owing to the establishment of its health, safety and environment (HSE) division, which monitors the worksites through prevention-based programs, risk evaluation, job-specific safety training, incident investigation and on-site safety supervision. In 2012, the quality, health, safety and environment (QHSE) management system operated smoothly, with the Group carrying out the annual QHSE review and assessment on all the projects and the departments. There were no occurrences of quality or HSE-related accidents (events) in the year. In addition, the certification authority for the Group's Quality Management System was upgraded to "Shanghai Certification Centre of Quality Systems" and the Group's HSE has undergone a supervisory review by the Qingdao Sinosun Management Certification Center.

Breakthroughs in overseas markets

In addition to focusing our business on petrochemicals, oil refineries and large coal-to-chemicals producers in China, the Group also expanded into overseas markets in the Middle East, Southeast Asia and Latin America, by leveraging its extensive project management experience, proprietary technologies, established network and close relationships with raw material and equipment suppliers and sub-contractors. After opening branch offices in Southeast Asia and the Middle East, the Group set up a branch office in Venezuela in April 2012 and carried out marketing activities and several feasibility studies to seize attractive opportunities abound in these locations. Among the newly granted projects during the year, two were the Saudi Benzene Mitigation Project (in the petrochemicals business segment) and the Saudi De-

Business Overview

Bottlenecking (DBN) Project (in the other products and services business segment) located in Saudi Arabia, in addition to the Deep Conversion Project for the Puerto La Cruz Refinery (in the oil refineries business segment) located in Venezuela. The further expansion of the Group's business demonstrates its strong capacities and unique competitive edges in implementing EPC projects.

- In the second quarter of 2012, the Group was awarded two EPC contracts for the Saudi Benzene Mitigation Project (in the petrochemicals business segment) and Saudi De-Bottlenecking (DBN) Project (in the other products and services business segment) located in Saudi Arabia.

- In June 2012, the Group, as one of the party, entered into an EPC contract with PDVSA Petróleos S.A. for the Deep Conversion Project at the Puerto La Cruz Refinery.

Technological innovation and increased investment in research and development

As the leading EPC contractor in the PRC, the Group has always put extensive efforts in technological development and investment to strengthen its leading position in the industry. With our strengths in innovation and research and development, the Group has been recognized as a "high-technology enterprise" by relevant Shanghai authorities since 2008.

During the Year under Review, major technological advances achieved by the Group comprised research on methanol-to-olefin unit technology, demonstrative research on new hybrid gasification technology, research on coal-to-ethylene glycol technology, the development of butene oxidization and dehydrogenation catalyst and related technology. In addition, the Group developed proprietary "pre-cutting plus oil absorption" olefin separation technology to replace the cryogenic separation system with high energy consumption, which significantly reduces energy consumption, enhances ethylene recovery as well as significantly reduces investment in equipment. During the year, the Group applied for two new invention patents and was authorized with eight invention patents.

In 2012, the Group provided more value-added services to its customers with proprietary technologies, such as methanol-to-olefin separation technology, and entered into two technology transfer agreements, including:

- Yang Coal Olefin Separation Unit Project: In August 2012, the Group signed a technology license, process design package compilation and technology service contract and an engineering design contract on both basic design and detailed design with Shandong Yang Coal Hengtong Chemical Co., Ltd for the olefin separation unit in its 300 kta methanol plant. The design work of this project is expected to be completed by the end of October 2013.

- Shenhua Xinjiang Olefin Separation Unit Project: In September 2012, the Group signed a technology license, a technology service contract and an engineering design contract on overall design and basic design with Shenhua Coal to Liquid and Chemical Co., Ltd. for their 680kta new coal-based materials project in Xinjiang, China. The basic design is expected to be completed around May 2013.

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In addition, with the Group listed on the Main Board of the Hong Kong Stock Exchange at the end of 2012, part of the proceeds from the listing will be used for the construction of research and development centers. We commenced construction of a research and development center in Shanghai in 2011 and obtained the certificate of real estate ownership for the relevant land use rights from the Shanghai Housing Security and Administration Bureau and the Shanghai Planning, Land and Resources Administration Bureau on, 1 March 2012. This research and development center, the construction of which is expected to be completed in May 2013, will focus on research on new types of coal-to chemicals technologies, new petrochemical engineering and new energy technology. The Group will engage more than 150 research and development personnel in this center and intends to apply for national certification with the National Development and Reform Commission of PRC upon the completion of the center. Furthermore, the Group is also identifying a building site for the establishment of a new engineering, research and development center in Beijing which will focus on the research and development of new petrochemical engineering, new green energy technologies, and biomass energy technology upon completion.

As at 31 December 2012, the Group's research and development team consisted of 50 full-time staff and part-time professional consultants, including 5 former professors from Tsinghua University and the East China University of Science and Technology. The design center had 732 employees, more than 20% of whom have over 15 years of work experience.

Cultivation and development of talent base

Employees are essential to the continued success and technological innovation of the Group. In view of this, the Group provided competitive remuneration packages and safe and comfortable working conditions, as well as cultural compatibility to attract talent in EPC services in the petrochemicals, oil refinery and coal-to-chemicals industries. To enhance the qualification and industrial knowledge of its employees, the Group organized training programs and created an interactive work environment to maximize their potential. The Group strengthened employee training in key positions, optimized the organization structure and improved the efficiency of the design center and project management, to strengthen the team's overall capabilities and service quality. Furthermore, the Group provided valuable career development opportunities to retain talent. As at 31 December 2012, the Group had 1,707 employees.

Outlook

Looking forward into 2013, the global economy will recover slowly, while remaining sluggish, as China's economy will continue to grow constantly despite a fluctuant situation. The application of sophisticated large-scale exploitation technology in the North American shale gas market and the PRC government's supportive measures on the exploitation of coal-bed methane gas will bring more opportunities for the industry in which the Group operates. As the largest private chemical EPC service provider in China, the Group will take full advantage of its advanced technology and high quality services to enhance the development of its petrochemicals and oil refinery businesses, as well as

Business Overview

strengthen coal-to-chemicals business. Meanwhile, it will also expand its client base, accelerate the expansion in overseas markets and diversify its business scope. The Group will focus on the following development strategies to achieve its business goals:

1. **Establishing diversified customer base, geographic market presence and business scopes**

   The Group will implement a comprehensive development strategy for business growth by diversifying its customer base, regional market and business scope, and by the driving power of its innovative technologies, in order to offset the volatile nature of the business and ensure a stable business growth.

   In 2013, the Group plans to establish sales and marketings operations in Xinjiang, Inner Mongolia, Shanxi, Shaanxi, Yunnan and Guizhou Provinces to establish a more effective marketing network via establishing close proximity to its customers, actively expanding its domestic petrochemicals and coal-to-chemicals client base and optimizing its client structure. Furthermore, it will also strengthen its key account management system so as to establish long-term and mutually beneficiary cooperative relationships with them.

   In addition, the Group will actively expand into overseas markets to diversify its clientele in the regional markets. The Group has established subsidiaries or branch offices in Singapore, Saudi Arabia, Indonesia and Venezuela. Furthermore, the Group has accumulated execution experience by working on international projects in China managed by multinational giants such as BASF and Shell. The Group will capitalize on its experience in milestone projects in the domestic market to expand into international markets. It expects to achieve sustained growth in regional sales by exploring business opportunities in emerging markets such as Southeast Asia, the Middle East, West Africa and Latin America, where there is growing demand for petrochemical products.

   Moreover, the Group will expand business scope and deepen market penetration by further developing upstream and downstream business in petrochemicals, oil refinery, and coal-to-chemicals, such as the ethylene and fine chemical production units. The Group will also enlarge project management service portfolio by providing customers with value-added services spanning from the preliminary project planning and consultation to the whole project life cycle. In addition to maintaining its leading position in petrochemical area, the Group will endeavour to secure more project orders by capitalizing on its strong project execution capabilities, technological innovation, outstanding track record, extensive network of suppliers and subcontractors as well as its strong relationships with customers so as to expand business scope and its market share.

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2. **Strengthening technology acquisition and innovation capabilities**

The Group will boost its future business growth by exploring new business opportunities and strengthening its development and competitive edges in the core technologies. In 2013, the Group will continue to step up its efforts in research and development through various approaches, such as expanding its R&D team, establishing R&D centers in Shanghai and a R&D engineering center in Beijing. In order to fortify its R&D capabilities, the Group will upgrade its existing core technologies by establishing cooperation or alliances with domestic and overseas professional research and development institutions. Furthermore, the Group's market development and technology innovation will be mutually driven and promoted. For example, it is developing new hybrid gasification technology through cooperation with Shell Global Solutions in order to transform low-cost feedstock such as coal into high value-added products. Meanwhile, the Group will commence a research project on the full set of butene oxidation and dehydrogenation technologies in a quick response to market demands, and will strengthen its market promotion for commercial applications in order to support the business growth of the Group. In addition, the Group will also develop new technologies, mainly on shale gas and oil gas pre-processing as well as LNG modularization, so as to diversify its revenues sources.

3. **Enhancing operations management**

By making reference to the leading international players, the Group will steadily establish operating mechanism and management system that meet international standards to standardize, regulate and streamline our project management and to improve resource integration. Furthermore, it will expand its overseas project execution team to strengthen overseas project management and risk control capabilities, as well as improve the overall EPC capacity and build its brand for overseas projects, so as to set up a good platform for the Group to fortify its overseas expansion.

In 2013, with the commencement of the principal construction phase of various projects, including the Saudi De-Bottlenecking (DBN) Project, Benzene Mitigation Project, Chongqing BASF MDI Complex Project, Guotai 400 kta Methanol Project, Pucheng Polyethylene Plant Project and Auxiliary Utilities Project, the Group will further strengthen its comprehensive project management capabilities to ensure the projects will be completed in high quality and timely manner, while reaching key performance indicators.

4. **Nurturing talents and strengthening the information system management**

In the area of talent development, the Group is committed to cultivating a diversified corporate culture and creating a favorable internal and external working environment. It continues to recruit and retain talent in the field by offering competitive remuneration and promising career

Business Overview

prospects. By boosting manpower and executive recruitment, the Group will be able to strengthen its advantage in human resources. It will establish a comprehensive recruitment network in the PRC and overseas to diversify its talent pool to enlarge its overseas project execution, engineering and R&D team. Internal resources will be further integrated in a systematic manner. Furthermore, the Group will establish an effective incentive mechanism and improve its training and team building system.

As for information management, the Group will improve and optimize its online project management platform and enhance the integration of application software used in project management to eliminate any information isolation. It will improve efficiency and quality in project management and reduce operational risks

In addition, the Group will continue to improve the effectiveness and efficiency of its corporate governance structure and internal control system from the perspective of the overall operation so as to meet the standards for an international public company.

As a leading EPC service provider in the petrochemicals, oil refinery and coal-to-chemicals industries, the Group will continue to consolidate its market position and enhance its strengths through the above measures. We will also closely monitor the development trend of the industry, to seize the tremendous opportunities arising in the domestic and overseas markets and strive for a sustainable business development.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2012, the comprehensive revenue of the Group amounted to RMB4,891.9 million, representing a decrease of RMB144.7 million, or 2.9%, to RMB5,036.6 million in the previous year. Details of comprehensive revenue breakdown by business segments are set out below:

RMB '000

Business segment	2012	2011	Change	Change %
Petrochemicals	**455,737**	1,624,226	-1,168,489	-71.9%
Oil refineries	**301,580**	2,447,046	-2,145,466	-87.7%
Coal-to-chemicals	**3,173,235**	949,736	2,223,499	234.1%
Other products and services	**961,356**	15,614	945,742	6,057.0%
	4,891,908	5,036,622	-144,714	-2.9%

In petrochemicals, revenue exclusive of inter-segment sales decreased by RMB1,168.5 million, or 71.9%, from RMB1,624.2 million for the year ended December 31, 2011 to RMB455.7 million for the year ended December 31, 2012. We had inter-segment sales of RMB33.2 million for the year ended December 31, 2012. The decrease in revenue for our petrochemicals business segment was primarily due to the Group's major projects, namely the PetroChina Sichuan LLDPE Plant Project, PetroChina Sichuan Ethylene Plant Project and PetroChina Fushun Ethylene Plant Project, were successfully completed and delivered on schedule, while work on the Chongqing BASF MDI Complex Project proceeded as scheduled during the year. However, principal construction of the two projects in Sichuan Plant and the Ethylene Plant Project in Fushun was completed by the end of 2011. As such, the contract revenue of our projects in the petrochemicals business segment for the year ended December 31, 2012 significantly decreased as compared with that of the year ended December 31, 2011.

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In oil refineries, revenue decreased by RMB2,145.4 million, or 87.7%, from RMB2,447.0 million for the year ended December 31, 2011 to RMB301.6 million for the year ended December 31, 2012. The decrease was primarily due to the completion of principal construction phase for PetroChina Sichuan Continuous Reforming Plant and PX Plant Project, PetroChina Sichuan Gasoil Hydrocracking Plant Project, PetroChina Sichuan Sulfur Recovery Plant Project and PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project as at the end of 2011. As such, the contract revenue of our projects in the oil refineries business segment for the year ended December 31, 2012 significantly decreased as compared with that of the year ended December 31, 2011.

In coal-to-chemicals, revenue exclusive of inter-segment sales increased by RMB2,223.5 million, or 234.1%, from RMB949.7 million for the year ended December 31, 2011 to RMB3,173.2 million for the year ended December 31, 2012. The inter-segment sales for the year ended December 31, 2012 amounted to RMB29.5 million. The increase was primarily due to the contribution in revenue as a result of the steady progress of the Baoji Methanol Project of Xuzhou Coal Mining Group, the Erdos Guotai Chemical Coal-to-Methanol Project, and the Pucheng Polyethylene Plant Project in Shaanxi, the construction of which was kicked off in March 2012.

Revenue from other products and services increased by RMB945.8 million, or 6,057.0%, from RMB15.6 million for the year ended December 31, 2011 to RMB961.4 million for the year ended December 31, 2012. The increase was primarily because Zhoushan Wison Marine Engineering Base Project commenced operation since May 2012 and it had revenue contribution for the year ended December 31, 2012, while it had no revenue contribution for the year ended December 31, 2011.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by RMB67.1 million, or 5.6%, from RMB1,206.7 million for the year ended December 31, 2011 to RMB1,139.6 million for the year ended December 31, 2012. The gross profit margins of the Group for the years ended December 31, 2011 and 2012 were 24.0% and 23.3% respectively. For the year ended December 31, 2011, the gross profit margins for petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments were 25.2%, 22.7%, 25.3% and 9.6%, respectively, while the gross profit margins for the year ended December 31, 2012 were 24.9%, 25.0%, 23.8% and 20.3% respectively.

The slight decrease in the gross profit margin in petrochemicals business segment was primarily attributable to the model and mix of service provided during the year.

The increase in the gross profit margin in our oil refineries business was primarily attributable to successful claims of certain project from owners for the year ended December 31, 2012 and most of the relevant costs were recognized in the previous years.

The decrease in the gross profit margin in coal-to-chemicals business was primarily attributable to our commencing Pucheng Polyethylene Plant Project and Pucheng Public Utility and Ancillary Facilities Project. These two projects contribute a relatively low gross profit margin within the coal-to-chemicals segment.

The increase in gross profit margin in other products and services was mainly due to the commencement of Zhoushan Wison Marine Engineering Base Project in May 2012. In 2011, the gross profit in other products and services principally comprised integrated pining systems manufactured by Wison Yangzhou, which earned a relatively low gross profit margin.

Other Income

Other income increased by RMB5.4 million, or 17.7%, from RMB30.6 million for the year ended December 31, 2011 to RMB36.0 million for the year ended December 31, 2012. Government grants and interest income increased by RMB4.8 million and RMB0.9 million, respectively.

Management Discussion and Analysis

Sales and Marketing Expenses

Sales and marketing expenses increased by RMB30.0 million, or 120.0%, from RMB25.0 million for the year ended December 31, 2011 to RMB55.0 million for the year ended December 31, 2012. We had an increase in advertising expenses in connection with an outdoor advertisement campaign and an increase in employee expenses primarily due to an increase in business development activities.

Administrative Expenses

Administrative expenses increased by RMB63.4 million, or 51.1%, from RMB124.1 million for the year ended December 31, 2011 to RMB187.5 million for the year ended December 31, 2012. The increase was primarily due to the increase in employee expenses, listing expenses, business development expenses and exchange losses. The increase in employee expenses was primarily due to the increase in headcount for future projects, while the increase in listing expenses was primarily due to the fees of professional parties and amortization of share option expenses.

Other Expenses

Other expenses decreased by RMB49.2 million, or 31.6%, from RMB155.7 million for the year ended December 31, 2011 to RMB106.5 million for the year ended December 31, 2012. This decrease was primarily due to the decrease in research and development expenses, as a result of the change to the cooperation agreement with Shell on hybrid gasification technology, in which the investment on demo plant is no longer our responsibility.

Finance Costs

Finance costs decreased by RMB11.4 million, or 8.3%, from RMB137.9 million for the year ended December 31, 2011 to RMB126.5 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in our interest payment as a result of the decrease in our overall borrowing for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Income Tax Expenses

Income tax expenses decreased by RMB39.9 million or 19.4%, from RMB205.5 million for the year ended December 31, 2011 to RMB165.6 million for the year ended December 31, 2012. The decrease was primarily due to the decrease in taxable income for the year ended December 31, 2012 and the tax incentives awarded to us for our research and development activities.

Net Profit

Net profit decreased by RMB55.4 million, or 9.4%, from RMB589.7 million for the year ended December 31, 2011 to RMB534.3 million for the year ended December 31, 2012. Our net profit margin was 11.7% for the year ended December 31, 2011 and decreased to 10.9% for the year ended December 31, 2012. The decreases of our net profit and net profit margin for the year ended December 31, 2012 were primarily due to the decrease of our revenue and overall gross profit margin, combined with the increase of our operating expenses.

Financial Resources, Liquidity and Capital Structure

The Group meets its working capital and other capital requirements principally with cash generated from its operations, borrowings and proceeds from the global offering.

Management Discussion and Analysis

As at December 31, 2012, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at December 31	
	2012	2011
	(Million)	
Hong Kong Dollar	**1,261.6**	0.2
US Dollar	**20.4**	11.1
Renminbi	**1,011.5**	1,076.1
Saudi Riyal	**30.7**	0.5
Euro	**0.3**	0.1
Indonesian Rupiah	**169.4**	125.0
Venezuelan Bolivar	**0.1**	—
Singapore Dollar	**0.2**	0.1

Interest-bearing bank and other borrowings of the Group as at December 31, 2012 and 2011 were set out in the table follow. The short-term debt of the Group accounted for 88.6% of the total debt (2011: 87.4%).

	As at December 31	
	2012	2011
	(RMB million)	
Current		
Bank loans repayable within one year		
— secured	**1,865.5**	1,161.1
— unsecured	**400.0**	230.0
	2,265.5	1,391.1
Finance lease payables	**0.3**	0.5
	2,265.8	1,391.6
Non-current		
Bank loans repayable in the second year		
— secured	**140.0**	200.0
Bank loans repayable in the third to fifth years		
— secured	**150.0**	—
	290.0	200.0
Finance lease payables	**0.3**	0.7
	290.3	200.7
	2,556.1	1,592.3

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

	(US$ million)	
— US$ denominated	**—**	40.0

Management Discussion and Analysis

The US$ denominated loans bear interest at floating rates pegged to the London Inter Bank Offered Rate. In 2012, the bank and other borrowings balances other than those denominated in US$ were denominated in RMB and bear interest at floating rates except for loans of RMB1,196.0 million (2011: RMB235.3 million) during the indicated period, which bear interest at fixed rates.

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

Year ended December 31, 2011	0.99% to 7.22%
Year ended December 31, 2012	3.74% to 7.92%

The maturity profile of interest-bearing bank and other borrowings as at December 31, 2012 and 2011, based on contractual undiscounted payments, is as follows.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(RMB million)				
December 31, 2012					
Interest-bearing bank and other borrowings	—	840.0	1,642.1	395.8	2,877.9
Finance lease payables	—	0.1	0.2	0.4	0.7
December 31, 2011					
Interest-bearing bank and other borrowings	—	419.6	1,025.1	201.2	1,645.9
Finance lease payables	—	0.2	0.4	0.7	1.3

Management Discussion and Analysis

As at 31 December, 2012, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 1.2x (2011: 2.0x). The ratio of total borrowings to total assets was 33.3% (2011: 37.7%). The Company was successfully listed on the Main Board of the Stock Exchange on December 28, 2012 (the "Listing Date"). Net proceeds from the IPO, after deducting the underwriting commission and other estimated expenses in connection with the offering, amounted to approximately HK$1,364.3 million. The net proceeds are maintained in the bank account of the Group and will be used for purposes as set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated December 13, 2012 (the "Prospectus"). If the Directors decide to use the net proceeds for purposes other than those as set out in the Prospectus, further announcement will be made by the Company in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Future plans for major investment projects

Save for the construction and establishment of a national research and development center in Shanghai and an engineering research and development center in Beijing as disclosed in the Company's prospectus, the Group currently has no specific plan for major investment projects or acquisition for major capital assets. However, the Group will continue to identify new opportunities for business development.

Material Acquisitions and Disposals

During the reporting year, the Group has not conducted any material acquisitions or disposals.

Capital Expenditure

During the reporting year, the capital expenditure of the Group amounted to RMB418.1 (2011: RMB369.9 million), including the investment for the construction of new office building of RMB362.4 million (2011: RMB197.7 million).

Foreign Exchange Risk Control

The business transactions of the Group are mainly settled in Reminbi and US dollars. The Group is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the bank balances and bank loans of the relevant entities. At present, the Group has not maintained any hedging policy against the foreign currency risk. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Management Discussion and Analysis

Asset Security

As at December 31, 2012, bank deposits with carrying amounts of RMB471.3 million, property, plant and equipment with carrying amount of RMB123.4 million and leasehold interests on land with carrying amounts of RMB11.8 million were pledged as security for bank facilities and finance lease commitments of the Group.

Contingent Liability

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

Except for the contingent liabilities as stated above, the Group had no other contingent liabilities as at December 31, 2012.

Human Resources

As at December 31, 2012, the Group had 1,707 employees. The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. For the year ended December 31, 2012, the total staff cost of the Group (including salaries, bonuses, insurances and share option schemes) amounted to RMB425.3 million.

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

Biographies of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hua Bangsong (華邦嵩), age 47, is the founder of our Group, and the chairman and executive Director of our Company. Mr. Hua has been our Chairman and an executive Director since June 30, 2004. Mr. Hua is also a director of Wison Group Holding Limited and Wison Engineering Investment Limited, the ultimate and intermediate holding companies of the Company. Mr. Hua has in-depth industry knowledge and has over 23 years of experience in the operation and management in the petrochemicals industry.

Mr. Hua began his career in the petrochemicals industry in the sales department of Jiangsu Province Xing Hua City Dai Nan Metal Screen Factory (江蘇省興化市戴南金屬絲網廠). Subsequently, Mr. Hua established the predecessor of Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua"), namely, Jiangsu Xinhua City Petrochemical Equipment Parts Factory (江蘇省興化市石油化工設備配件廠). The predecessor of Jiangsu Xinhua was primarily engaged in the manufacture of petrochemical machinery and related accessories, as well as the supply of raw materials for the petroleum industry.

Mr. Hua established Wison Engineering Ltd. ("Wison Engineering") in 1997. Under the management of Mr. Hua, Wison Engineering was primarily engaged in the provision of engineering and construction solutions for improving the performance and environmental friendliness of separation systems for chemical engineering processes during its initial stage of operation. Since 2000, Mr. Hua gradually shifted the focus of Wison Engineering's principal business to its current operations of providing solution to the petrochemicals and coal-to-chemicals industry in PRC for designing, building and renovating ethylene cracking furnaces and for the engineering, procurement and construction of production facilities for ethylene, coal-to-chemicals and their downstream products and oil refineries. To complement the operations of Wison Engineering, Mr. Hua established Wison (Yangzhou) Chemical Machinery Co., Ltd. ("Wison Yangzhou") in 2004. He is currently responsible for planning and formulating our Group's strategy on overall business development.

Biographies of the Directors and Senior Management

Mr. Liu Haijun (劉海軍), age 47, is an executive Director of our Company and a senior vice president of our Group, and is mainly responsible for supervising the operation of the industrial furnaces affairs and sales departments of Wison Engineering. Mr. Liu graduated from the University of Petroleum (石油大學) in 1991. In 2010, Mr. Liu obtained his executive MBA from Euro-China International Business College (中歐國際商學院). From 1994 to 2001, he was engaged in the design management and project management in the Project Management Department of China Petroleum & Chemical Corporation Qilu Branch ("Sinopec Qilu"). In 2000, he was appointed by Sinopec Qilu as a senior engineer. Mr. Liu joined our Group as a technical engineer of the Furnace Department of Wison Engineering in August 2001 and has successively served as the technical engineer, the project manager, the manager of the Furnace Department, vice general manager of the Engineering Department and deputy general manager of Wison Engineering. Mr. Liu was also appointed as our Director on May 18, 2011. Since 2009, Mr. Liu was an executive member of the board of the Safety Manufacturing of Shanghai (上海安全生產) and an executive member of the Project Management of China Exploration & Design Association (中國勘察設計協會). He has 27 years' experience in the petrochemicals industry.

Mr. Chen Wenfeng (陳文峰), age 42, joined our Group in 2011. He is the chief financial officer and a senior vice president of our Group and was appointed as our executive Director on May 18, 2011, and is mainly responsible for the financial operations of our Group. Mr. Chen graduated from Washington University Olin Business School with a master's degree in business administration in 2007. From 2000 to 2002, he worked as the China Site Support & Consolidation Finance Manager responsible for China non-manufacturing factory finance and consolidation at Intel (China) Technology Co., Ltd. and from 2002 to 2004, worked as China CPU Finance Manager and VF finance leader in the same company. From 2006 to 2009, Mr. Chen worked at Ingersoll-Rand Machinery Co. Ltd. as Asia Logistic Hub and Manufacturing Finance Controller responsible for APAC logistic hub and manufacturing overall finance. From 2010 to 2011, Mr. Chen worked as an associate director at PricewaterhouseCoopers in advisory for merger and acquisition transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Ji (劉吉), age 77, was appointed as our independent non-executive Director on November 30, 2012. Mr. Liu graduated from Power Mechanical Engineering Department of Tsinghua University in 1958 and, thereafter, worked in the Shanghai Internal Combustion Engine Research Institute (上海內燃機研究所) for over 20 years. Mr. Liu acted as vice president of the Science and Technology Commission of Shanghai Municipality (上海市科協) from 1983 to 1998, vice director of Propaganda Department of Shanghai Municipal Committee (中共上海市宣傳部) from 1988 to 1991, director of the Commission for Economic Restructuring of Shanghai Municipal (上海市人民政府經濟體制改革委員會) from 1992 to 1993 and vice president of Chinese Academy of Social Sciences (中國社會科學院) from 1993 to 1998. Since 1999, Mr. Liu served as a researcher, member of the academic committee and tutor for doctorial candidates in Chinese Academy of Social Sciences (中國社會科學院). He was the executive president of China Europe International Business School (中歐國際工商學院) from 2000 to 2004 and became the honorary president in 2005. Mr. Liu has also been an independent non-executive director of First Shanghai Investments Limited since 2004 and of Universal Technologies Holdings Limited since September 7, 2008. Both First Shanghai Investments Limited and Universal

Biographies of the Directors and Senior Management

Technologies Holdings Limited are companies listed on the Main Board of the Stock Exchange. Mr. Liu has also been a class II director of O_2micro International Limited since June 2007. O_2micro is a company listed on the NASDAQ Stock Market. Mr. Liu was previously an independent non-executive director of Stone Group Holdings Limited from 2005 to 2008, a company previously listed on the Main Board of the Stock Exchange on August 16, 1993 and subsequently privatized and delisted on November 9, 2009.

Mr. Choy Sze Chung Jojo (蔡思聰), age 53, was appointed as our independent non-executive Director on November 30, 2012. Mr. Choy graduated from Glendale Community College in 1985 with an associate degree in Arts. In 2002, he obtained a postgraduate diploma in business administration from University of Wales, Newport in the United Kingdom, where he also obtained a MBA degree in 2004. Mr. Choy also obtained a master's degree in business law from Monash University, Australia in 2007. From 1995 to 2002, Mr. Choy worked at Coin Fall Limited as dealing director and general manager. From 2004 to 2005, he worked at BOCI Securities Limited as sales director. Since 2005, Mr. Choy has been working at National Resources Securities Limited as vice chairman and responsible officer. He is mainly responsible for business development and supervising compliance related matters.

Mr. Choy is a fellow member of the Institute of Financial Accountants of United Kingdom, and also chairman of the Institute of Securities Dealers Limited. He has more than 16 years of professional experience in securities dealings. Mr. Choy is also a fellow member of The Hong Kong Institute of Directors. Further, Mr. Choy is a member of the 2011 Election Committee for the financial services subsector in the 2011 Election Committee Subsector Election.

Currently, he is the independent director of various companies listed on the Stock Exchange, namely Chengdu PUTIAN Telecommunications Cable Company Limited (Stock Code: 1202), Zhaojin Mining Industry Company Limited (Stock Code: 1818) and Sparkle Roll Group Limited (Stock Code: 0970). Mr. Choy is also the chairman of the Audit Committee of Chengdu PUTIAN Telecommunications Cable Company Limited (Stock Code: 1202) and the chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of Sparkle Roll Group Limited (Stock Code: 0970).

Mr. Wu Jianmin (吳建民), age 74, was appointed as our independent non-executive Director on November 30, 2012. Mr. Wu graduated from Beijing Foreign Language Institute (北京外國語學院) (now known as Beijing Foreign Studies University (北京外國語大學)) in 1959 with an undergraduate degree in French, where he also pursued postgraduate studies in translation from 1959 to 1961. From 1965 to 1971, he served at the Department of Translation and Interpretation of the Ministry of Foreign Affairs of the PRC (中華人民共和國外交部翻譯室) as a French interpreter for Chinese leaders such as Mao Zedong and Zhou Enlai. In 1971, he became a member of the first Permanent Mission of the PRC to the United Nations. During his diplomatic career of over 40 years, he served such various positions as political counselor of the Permanent Mission of the PRC to the United Nations, DCM (deputy chief of Mission) of the Embassy of the PRC in the Kingdom of Belgium, DCM of the PRC Mission to the European Communities, director-general of Department of Information and spokesman of Ministry of Foreign Affairs, Chinese ambassador to the Netherlands, permanent representative and ambassador of the PRC to the United Nations office at Geneva and other International Organizations in Switzerland (中華人民共和國常駐聯合國日內瓦辦事處和瑞士其他國際

Biographies of the Directors and Senior Management

組織代表團), and Chinese Ambassador to France from 1998 to 2003. He was the president of China Foreign Affairs University from 2003 to 2008. He also served as the executive vice president of China National Association for International Studies, deputy secretary-general and spokesman of the Chinese People's Political Consultative Conference ("CPPCC") and vice chairman of the Foreign Affairs Commission of the CPPCC National Committee. He was the president of the Bureau International des Expositions from 2003 to 2007. In June 2003, Mr. Wu was awarded Grand Officer, Légion d'Honneur by then French President Jacques Chirac in recognition of his outstanding contribution to Sino-French relations.

SENIOR MANAGEMENT

Ms. Xu Tan (徐坦), age 42, is a vice president of our Group and the general manager of the Beijing Branch of Wison Engineering. Ms. Xu is a registered accountant and a senior economist in the PRC. She is mainly responsible for coordinating the relationship with the major clients of Wison Engineering in Beijing and supervising the Beijing branch office of Wison Engineering. Ms. Xu graduated from Renmin University of China (中國人民大學) in 1992 and received her master's degree in business administration from Tsinghua University (清華大學) in 2001. From 2000 to 2004, she successively served as the assistant to the chief financial officer on investor relations and the director of the Human Resources and Administration Department of China Netcom Broadband Corporation Ltd. (中國網通寬帶公司). Ms. Xu joined our Group as an assistant president of Wison Engineering and general manager of the Beijing branch office of Wison Engineering in October 2004.

Mr. Lin Zhong (林中), age 51, is a vice president of our Group, and is responsible for our key customer accounts. He graduated from Zhengzhou Institute of Technology (鄭州工學院) in 1983. He was engaged by China Petroleum & Chemical Corporation ("Sinopec") as a senior engineer in 1996. From 2003 to 2005, he pursued further studies at Dalian University of Technology (大連理工大學) on a part-time basis and obtained a master's degree in engineering. In 2003, he was awarded with the qualification of (investment) consultant engineer jointly recognized by various authorities such as the Ministry of Personnel and the State Development and Reform Commission of the PRC and automatic engineer recognized by China Association. Mr. Lin joined our Group as a deputy general manager of Wison Engineering in July 2006 and he has 26 years' experience in the petrochemicals industry.

Mr. Xia Wenji (夏文基), age 57, is the general manager of Wison Yangzhou, and is currently responsible for the overall supervision of Wison Yangzhou. In 2006, he completed the training course for general managers offered by China Europe Industrial Business School. From 1998 to 2005, Mr. Xia worked at Jiangsu Xinhua where he served as the deputy general manager responsible for sales, the deputy general manager responsible for production department and the general manager responsible for overall operations. He joined our Group as a general manager of Wison Yangzhou in January 2006.

Mr. Li Jianzhong (李建中), age 50, is the deputy general manager of Wison Yangzhou, and is mainly responsible for supervising the Centrifugal Casting Machine Department, the Static Casting Machine Department, the Machining Processing Workshop, the Welding Workshop, the Equipment Department, the Production and Technology Department, and the Quality Control Department of Wison Yangzhou. In 1986, he graduated from Zhengzhou Institute of Technology (鄭州工學院) with a bachelor's degree in Foundry. From 1998 to 2006, he served as the head of the manufacturing technique department and the supervisor of foundry workshop in

Biographies of the Directors and Senior Management

Jiangsu Xinhua. He joined our Group as a technology deputy general manager of Wison Yangzhou in January 2006.

Mr. Zhou Hongliang (周宏亮), age 43, is a senior vice president of our Group, and is mainly responsible for supervising the operations of the project management, quality safety, procurement and construction management departments and design center. He graduated from Liaoning Shihua University (遼寧石油化工大學), formerly known as the Fushun Petroleum Institute (撫順石油學院) in 1991. He obtained the qualification of constructor from the Ministry of Construction of the PRC (中華人民共和國建設部) in 2006. From 2002 to 2004, Mr. Zhou worked as a deputy manager in the Ethylene Project Team in SECCO (上海賽科石油化工有限責任公司). Mr. Zhou joined our Group in January 2005 as a manager of the construction management department of Wison Engineering and was appointed as the deputy general manager of Wison Engineering in January 2008. He has 20 years' experience in the petrochemicals industry.

Mr. Yang Zhimin (楊志敏), age 54, is a vice president of our Group and a general manager of Henan branch of Wison Engineering. He is mainly responsible for the supervision of the operations of Henan branch office of Wison Engineering and the management of the business qualifications of Wison Engineering. He graduated from Lanzhou Petroleum College (蘭州石油學校) in January 1979. In July 2001, he completed a postgraduate course offered by the CPC Henan Provisional Committee Party School (中共河南省委黨校). Mr. Yang has over 30 years of experience in the petrochemicals industry, in particular petrochemicals design and management. He successively served as technician, engineer, senior engineer, senior engineer of professor level, dean, party secretary, director of the technology committee, general manager and director. Mr. Yang has won approximately 30 prizes such as scientific and technological progress awards of national, ministerial and provincial levels (國家和省部級科技進步獎) and outstanding engineering consulting and design awards (優秀工程設計諮詢獎). He has obtained various titles such as "Cross-century Pioneer in academics and technology (跨世紀學術和技術帶頭人)" from Henan province in 1999, "Expert in special allowance (特殊津貼專家)" by the Central People's Government of PRC (中華人民共和國國務院) in 2002, "Nationwide Chemical Engineering Pioneer Worker" (全國石化工業先進工作者) from the Human Resources Department of China (中國人力資源部) in 2008, the Top-100 Elite (中國工業經濟年度百名優秀人物), State-registered consultant engineer and State-registered mechanical engineer titles in 2008 and 60th Anniversary of Nationwide Engineering Design Industry "Top Ten Entrepreneurs" (全國工程設計行業國慶60周年"十佳現代管理企業家大獎") in 2009. He joined our Group as a deputy general manager of Wison Engineering and a general manager of Henan branch office of Wison Engineering in November 2007.

Mr. Cui Ying (崔穎), age 40, is a senior vice president of our Group. He is mainly responsible for supervising our Company's technology management department and technology development center. He graduated from Shanghai Railway University (上海鐵道大學) with a bachelor's degree in telecommunications engineering in 1994 and completed a master's degree in telecommunications signal processing from Shanghai Railway University (上海鐵道大學), (which subsequently merged with Tongji University (同濟大學)) in 1997. He completed an executive master of

Biographies of the Directors and Senior Management

business administration in the Olin Business School of Washington University in St. Louis. From 1997 to 2000, he worked in the Shanghai branch of China Unicom Group Co., Ltd. (中國聯通上海分公司). From 2000 to 2001, he was employed by Lucent Technologies (China) Co., Ltd. (朗訊科技(中國)公司). From 2001 to 2004, Mr. Cui worked as a marketing senior management at China Netcom (中國網通). From 2005 to 2009, he was appointed by IBM Global Business Services as a managing consultant. Mr. Cui joined our Group as director of sales and marketing in July 2009.

Mr. Yang Guangping (楊廣平), age 46, is a vice president of our Group and the general manager of the marketing department of Wison Engineering. He is mainly responsible for the marketing in the PRC and the business operation of investment projects in the PRC and overseas. Mr. Yang graduated from Dalian University of Technology (大連理工大學) with a bachelor's degree in chemical machinery in 1988. From 2003 to 2005, he worked as an equipment engineer at Chemtex China. He joined our Group in 2005 and worked as a procurement department manager in Wison Engineering where he was mainly responsible for the procurement, quality control and dispatch of the project materials. Mr. Yang has 23 years' experience in the petrochemicals industry.

Mr. Sun Xiaoguang (孫曉光), age 52, is a vice president of our Group. He is responsible for our key customer accounts. Mr. Sun graduated from the Hydrogeology School of Heilongjiang University with a major in engineering geology and hydrogeology in 1983. He was previously an assistant general manager of China Petroleum Daqing Coal Chemical Company. He joined our Group in 2004 as project manager in Wison Engineering. Mr. Sun has 29 years' experience in the petrochemicals industry.

Mr. Yang Dechang (楊德昌), age 48, is an assistant president of our Group and procurement general manager of Wison Engineering. He is mainly responsible for the projects procurement management of Wison Engineering. Mr. Yang graduated from Zhengzhou Institute of Technology (鄭州工學院) with a bachelor's degree in Foundry in 1984. He obtained the qualification of supervisory engineer in 1998 from the Ministry of Construction of the PRC (中華人民共和國建設部) and the qualification of constructor in 2005 from the Ministry of Personnel and the Ministry of Construction of the PRC. He obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. He obtained the qualification of senior engineer from China Petrochemical Corporation in 1997. Mr. Yang joined our Group in 2002 and worked in Wison Engineering as project manager, manager in the Engineering Division, manager in the Projects Control Division and manager in Commercial Division. Mr. Yang has 28 years' experience in the petrochemicals industry.

Mr. Li Yansheng (李延生), age 47, is an assistant president of our Group and the chief scientist of Wison Engineering. He is mainly responsible for guiding and leading the technology development of Wison Engineering and supporting and participating in internal technology research and development of Wison Engineering. Mr. Li graduated from Qingdao University of Science & Technology (青島化工學院) with a bachelor's degree in organic chemical engineering. Mr. Li also obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. Mr. Li then obtained an executive education program certificate from Cheung

Biographies of the Directors and Senior Management

Kong Graduate School of Business (長江商學院) in 2010. Prior to joining our Group, Mr. Li worked at Qilu Petrochemical Engineering Company as engineer from 1987 to 2004. Mr. Li joined our Group in 2004, to work at the technical department of Wison Engineering. He then worked in the design management department and technical management department of Wison Engineering as a manager and vice chief engineer in 2005 and 2006, respectively. Since 2008, Mr. Li has been working at Wison Engineering as an assistant of general manager and technical director. Mr. Li also received various awards such as Technical Progress Award (科技進步獎) from All-China Federation of Industry & Commerce (中華全國工商業聯合會) in 2010 and the nationwide outstanding chemical engineering worker (全國化工優秀科技工作者) from China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) in 2010.

Mr. Man Tangquan (滿堂泉), age 50, is an assistant president of our Group and the head of project management platform division of Wison Engineering. He is mainly responsible for the development of the project management platform of Wison Engineering. Mr. Man graduated from Huadong Petroleum College (華東石油學院) with a bachelor's degree in basic organic chemical engineering in 1984. Mr. Man has 27 years' experience in the petrochemicals industry.

Mr. Dong Hua (董華), age 45, is a senior vice president of our Group. He is mainly responsible for supervising the business operation of International Division I and International Division II of Wison Engineering. Mr. Dong graduated from Lanzhou Petroleum College (蘭州石油學校) with Petrochemical Equipment major in 1988 and subsequently graduated from China Three Gorges University (三峽大學) with a major in law in 2006. Mr. Dong obtained Project Management Professional Certificate from Project Management Institute. Mr. Dong obtained management related program certificates from Fudan University (復旦大學) and Euro China International Business College (中歐國際商學院). Mr. Dong has 23 years' experience in the petrochemicals industry.

Mr. Li Baoyou (李保有), age 47, is a vice president of our Group and the general manager of the industrial furnace division of Wison Engineering. Mr. Li graduated from Beijing University of Chemical Engineering (北京化工學院) with a bachelor's degree in polymer chemicals in 1988. Mr. Li also obtained a certificate of attending serial courses of business administration master from Guanghua School of Management in 2008. Mr. Li joined our Group in 2004 as a senior engineer of the industrial furnace affairs department of Wison Engineering. Mr. Li has 24 years' experience in the petrochemicals industry.

Ms. Luk Wai Mei (陸慧薇), MPA, BBA (Hons), CPA, CPA (Aust), ACS, ACIS, age 46, is the company secretary of our Company. Ms. Luk is mainly responsible for overseeing our Group's internal controls, compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant laws and regulations, compliance with financial reporting requirements, disclosure and reporting, board information and procedures. Prior to joining our Group as company secretary in September 2004, she had accumulated 15 years of accounting and company secretarial experience. From 1998 to 2004, Ms. Luk served as financial controller and company secretary in three companies listed in Hong Kong, Dawnrays Pharmaceutical (Holdings) Limited (stock code: 02348), Sing Lee Software (Group) Limited (stock code: 08076) and Dong Jian Group Holdings Limited (stock code:

Biographies of the Directors and Senior Management

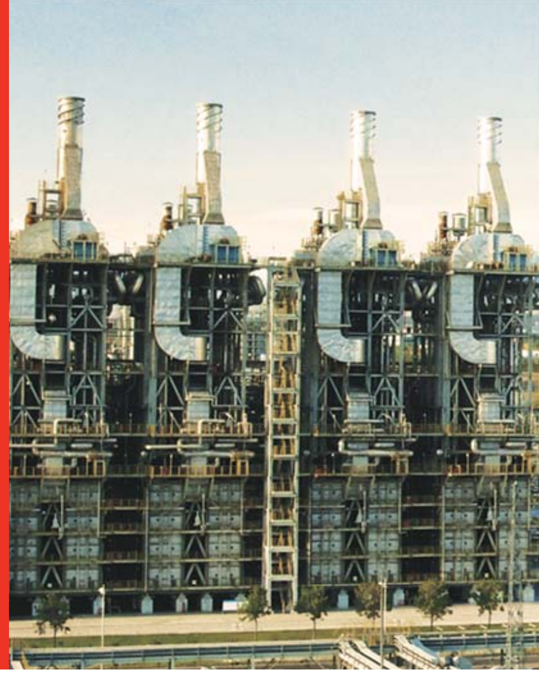
00649) (privatized and delisted on July 27, 2007). Ms. Luk is a CPA member of Hong Kong Institute of Certified Public Accountant, a CPA member of CPA Australia, an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Luk holds a master's degree in professional accounting from the Hong Kong Polytechnic University and a bachelor's degree in business administration from the Chinese University of Hong Kong.

Ms. Chen Huimei (陳惠梅), age 45, is a vice president of our Group. She is responsible for the technological development of Wison Engineering. Ms. Chen graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in chemistry and chemical engineering in 1989. From 1998 to 2007, Ms. Chen worked at China National Petroleum Corporation (中石油蘭州石化工程公司) as project manager, project director and the manager of the technology management. Ms. Chen joined our Group in 2007 and worked at Wison Engineering as assistant manager of the quality safety assurance department, manager of the technical management department and manager of the research and development center. Ms. Chen has 22 years' experience in the petrochemicals industry.

Mr. Fan Weijie (范慰頡), age 48, is a vice president of our Group and the general manager of the consulting division of Wison Engineering. Mr. Fan is mainly responsible for project management. He obtained a profession qualification of architecture general arrangement drawing and logistics (總圖運輸專業) from Xi'an Metallurgy & Architecture College (西安冶金建築學院) in 1986. Mr. Fan also obtained qualification of construction project management from China Exploration & Design Association (中國勘察設計協會). Mr. Fan joined our Group in 2008 as an assistant manager of the design center and became a manager of the technical consulting department in 2011. Mr. Fan has 26 years' experience in the petrochemicals industry.

Mr. Hua Lingsu (華令蘇), age 47, is an assistant president of our Group and the head of the corporate standard division Wison Engineering. Mr. Hua Lingsu is mainly responsible for the compliance with the documents regulating corporate management system standards for continuous improvement. He graduated from East China University of Science & Technology (華東理工大學) (formerly known as East China Chemical Engineering College (華東化工學院)) with a bachelor's degree in chemical process automation (化工生產過程自動化). From 1988 to 2003, he worked as supervisor in Qilu Petrochemical Engineering Co. Ltd. (山東齊魯石化工程有限公司). From 2003 to 2004, he worked as a project manager in China International Water & Electric Corp. (S) Pte. Ltd. (中國國際水利電力新加坡公司). He joined our Group in 2004 and has been responsible for the HSE planning and execution for Wison Engineering's projects. Mr. Hua Lingsu has 25 years' experience in the petrochemicals industry.

Report of the Directors



The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (the "Group"), for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or EPC, services. The Group provides a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sale technical support.

MAJOR CUSTOMERS AND SUPPLIERS

Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total purchases for the year ended December 31, 2012.

For the year ended December 31, 2012, our five largest clients, in aggregate, counting each subsidiary of PetroChina Company Limited ("PetroChina") on a standalone basis, accounted for approximately 85.1% of our total revenue. For the same period, our 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 85.1% of our total revenue. Our revenue derived from the single largest client for the same period, counting each subsidiary of PetroChina on a standalone basis, amounted to approximately 29.2% of our total revenue.

None of our Directors, any of their associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company had any interest in any of our five largest clients during the year ended December 31, 2012.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associates as at December 31, 2012 are set out in Note 19 and Note 34 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended December 31, 2012 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 63 to 156 of this report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2012.

DONATIONS

Donations made by the Group during the year ended December 31, 2012 amounted to RMB1,027,900.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Notes 31 and 32 to the financial statements and the paragraph "Share Option Schemes" below, respectively.

RESERVES

Changes to the reserves of the Group during the year ended December 31, 2012 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended December 31, 2012 are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2012, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB938,990,000.

Report of the Directors

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 28, 2012 (the "Listing Date"), the Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A total of 544,622,000 ordinary shares with nominal value of HK$0.10 each of the Company were issued at HK$2.79 per share for a total of approximately HK$1,519 million. The net proceeds received by the Company from the abovementioned global offering of the Company are approximately HK$1,364.27 million. As the Company's shares were listed on the Stock Exchange on December 28, 2012, the Company has not used any net proceeds raised from the global offering as at December 31, 2012. The Company deposited the unutilised proceeds with a licensed bank in Hong Kong. The Company will use such proceeds in accordance with the purposes disclosed in the prospectus of the Company dated December 13, 2012.

DIRECTORS

The directors during the year were:

Executive Directors
Mr. Hua Bangsong *(Chairman)*
Mr. Liu Haijun
Mr. Chen Wenfeng

Independent Non-executive Directors
Mr. Liu Ji
(appointed on November 30, 2012)
Mr. Choy Sze Chung Jojo
(appointed on November 30, 2012)
Mr. Wu Jianmin
(appointed on November 30, 2012)

In accordance with Article 108 of the Company's Articles of Association, Mr. Hua Bangsong and Mr. Chen Wenfeng will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of Mr. Hua Bangsong and Mr. Chen Wenfeng has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section "Share Option Schemes" below, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at anytime during the year.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at December 31, 2012, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Company/ Name of Group Company	Capacity/ Nature of interest	Number of Shares[1]	Approximate percentage of shareholding[4]
Mr. Hua Bangsong[2]	Company	Interest in controlled corporation	3,175,520,000 (L)	79.39%
Mr. Liu Haijun	Company	Beneficial owner	3,040,000 (L)[3]	0.08%
Mr. Chen Wenfeng	Company	Beneficial owner	1,900,000 (L)[3]	0.05%

Notes:

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

(2) 3,175,520,000 Shares are beneficially owned by Wison Engineering Investment Limited ("Wison Investment"), which in turn is wholly owned by Wison Group Holding Limited ("Wison Holding"). By virtue of his 100% shareholding in Wison Holding, which in turn wholly owns Wison Investment, Mr. Hua Bangsong is deemed or taken to be interested in a total of 3,175,520,000 Shares owned by Wison Investment.

(3) Shares in respect of options granted under the pre-IPO share option scheme of the Company.

(4) The percentages are based on 4,000,000,000 Shares in issue as at December 31, 2012. Subsequently, 64,622,000 additional Shares were allotted and issued by the Company upon the exercise of the over-allotment option on January 17, 2013.

Report of the Directors

Save as disclosed above, as at December 31, 2012, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Share option scheme of the Company

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

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time. Subject to the above, the Board may grant options under the Share Option Scheme in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Shares commenced on the main board of the Stock Exchange (the "Scheme Mandate Limit") (being 400,000,000 Shares). Therefore, as at December 31, 2012, the total number of shares which may be issued on the exercise of options to be granted under the Share Option Scheme and any other schemes is 400,000,000, representing approximately 9.84% of the issued share capital of the Company as at the date of this report. Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. Unless approved by the Shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

Report of the Directors

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the date of grant of the relevant option. Terms and conditions to options can be specified upon grant of such options, which may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the Share Option Scheme or the Listing Rules.

As at December 31, 2012, no option has been granted or agreed to be granted under the Share Option Scheme.

Pre-IPO share option scheme of the Company

On November 30, 2012, a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The Pre-IPO Share Option Scheme shall be valid and effective for the 180-day period commencing on the date on which the Pre-IPO Share Option Scheme was adopted, after which no further pre-IPO options shall be offered but the provisions of this Pre-IPO Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any pre-IPO options granted prior thereto or otherwise as may be required in accordance with the provisions of this Pre-IPO Share Option Scheme and pre-IPO options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to eligible participants as recognition and acknowledgement of the contributions that such eligible participants have made or may make to our Group or any affiliates.

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

Report of the Directors

As at December 31, 2012, the maximum number of shares in respect of which pre-IPO options have been granted under the Pre-IPO Share Option Scheme is 197,923,000 shares, representing approximately 4.87% of the issued share capital of our Company as at the date of this report. No further options can be granted under the Pre-IPO Share Option Scheme after the Listing Date.

As at December 31, 2012, options to subscribe for an aggregate of 197,923,000 shares (representing 4.87% of the total issued share capital of our Company as at the date of this report) have been granted by our Company under the Pre-IPO Share Option Scheme for a consideration of HK$1.00 per option. Save as disclosed below, no Directors, substantial shareholders or other connected persons or their respective associates have been granted options under the Pre-IPO Share Option Scheme.

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

Category of participants	Exercise price per share	No. of Shares involved in the options outstanding at December 31, 2012
The Group		
Directors, chief executive or substantial shareholders of the Company or subsidiaries, or their respective associates		
Liu Haijun	0.837	3,040,000
Chen Wenfeng	0.837	1,900,000
Cui Ying	0.837	3,040,000
Dong Hua	0.837	2,660,000
Zhuang Yongqing	0.837	3,648,000
Employees of the Group	0.837	144,571,000
Wison Holding and its subsidiaries		
Employees, executives and officers of Wison Holding or any of its subsidiaries	0.837	39,064,000
Total		197,923,000

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on November 30, 2012. During the period commencing from the date of grant of such option to December 31, 2012, no options have been exercised by the holders, nor have any of the options lapsed or been cancelled.

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

Report of the Directors

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

As at December 31, 2012, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/ Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held(1)	Approximate percentage of shareholding(5)
Wison Investment	Company	Beneficial owner	3,175,520,000 (L)	79.39%
Wison Holding(2)	Company	Interest in controlled corporation	3,175,520,000 (L)	79.39%
Mr. Hua Bangsong(3)	Company	Interest in controlled corporation	3,175,520,000 (L)	79.39%
Ms. Huang Xing(4)	Company	Interest of spouse	3,175,520,000 (L)	79.39%

Notes:

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

(2) Wison Holding, as the sole shareholder of Wison Investment, is deemed or taken to be interested in the Shares which are owned by Wison Investment. Pursuant to a term loan facility in an amount of US$100 million provided by China Minsheng Banking Corp., Ltd., Hong Kong Branch to Wison Holding on November 27, 2012, Wison Holding agreed to procure Wison Investment to give a share mortgage in favor of China Minsheng Banking Corp., Ltd. Hong Kong Branch as security for such loan facility in respect of (a) not less than 20% of the issued share capital of our Company after the listing of the Company on the main board of the Stock Exchange (the "Listing"); or (b) the market value of our Shares equal to or more than the amount of US$400 million, whichever is higher. The above-mentioned mortgage has been provided to China Minsheng Banking Corp., Ltd., Hong Kong Branch shortly after Listing. According to note 2 to Rule 10.07 (2) of the Listing Rules, a controlling shareholder of a listed issuer is not prevented from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan. China Minsheng Banking Corp., Ltd., Hong Kong Branch is an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)).

(3) Mr. Hua Bangsong, as the sole shareholder of Wison Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wison Holding. Pursuant to a loan agreement dated May 28, 2012 entered into between a company wholly-owned by Mr. Hua Bangsong and Credit Suisse AG, Mr. Hua intended to procure Wison Investment to pledge with Credit Suisse AG for a commercial loan, his shareholding in our Company equivalent to the value of US$30 million as collateral ("Collateral") after the Listing. For the purpose of calculation, the value of Collateral is computed by reference to the closing price of the Shares constituting the Collateral on the day immediately prior to the date on which such Shares are being deposited with Credit Suisse AG. The above-mentioned collateral has been provided to Credit Suisse AG shortly after Listing. According to note 2 to Rule 10.07 (2) of the Listing Rules, a controlling shareholder of a listed issuer is not prevented from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan. Credit Suisse AG is an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)).

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

(5) The percentages are based on 4,000,000,000 Shares in issue as at December 31, 2012. Subsequently, 64,622,000 additional Shares were allotted and issued by the Company upon the exercise of the over-allotment option on January 17, 2013.

Report of the Directors

Save as disclosed above, as at December 31, 2012, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Mr. Hua Bangsong ("Mr. Hua"), an executive Director and the Chairman of our Company, is a connected person of our Company under Rule 14A.11 (1) of the Listing Rules.

Wison Holding, a company wholly owned by Mr. Hua, holds 100% of Wison Investment. Wison Investment owns approximately 78.13% of our Company as at the date of this report, and therefore is a controlling shareholder and a connected person of the Company under the Listing Rules.

Wison (Nanjing) Clean Energy Co., Ltd. ("Wison Nanjing") is owned as to 87.8% by Wison (China) Holding Company ("Wison (China) Investment"), which is an indirectly wholly owned subsidiary of Wison Holding. Wison Nanjing is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Prior to its de-registration and merger into Wison Nanjing on November 30, 2011, Nanjing Ruigu Chemical Engineering Co., Ltd. ("Nanjing Ruigu") was a wholly owned subsidiary of Wison Nanjing. Nanjing Ruigu was therefore a connected person of our Company until its merger into Wison Nanjing.

Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua") is a substantial shareholder of Wison Engineering Ltd. ("Wison Engineering") (an indirect non-wholly owned subsidiary of the Company), holding 25% of its equity interest (but is entitled as to 10% of its distributable profits). Jiangsu Xinhua is therefore a connected person of our Company under the Listing Rules.

Wison (Shanghai) Telecommunication Technology Co., Ltd. ("Wison Telecommunication") is owned as to 80% by Jiangsu Xinhua and as to 10%, 5%and 5%, respectively, by three independent third parties. Wison Telecommunication is therefore an associate of Jiangsu Xinhua (a substantial shareholder of Wison Engineering) and a connected person of our Company under the Listing Rules.

Wison (Nantong) Heavy Industry Co., Ltd. ("Wison Nantong") is indirectly wholly owned by Wison Holding. Wison Nantong is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Shanghai Zerun Biotechnology Co., Ltd. ("Zerun Biotech") is indirectly wholly owned by Wison Holding. Zerun Biotech is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Zhoushan Wison Offshore & Marine Co., Ltd. ("Zhoushan Wison") is indirectly wholly owned by Wison Holding and is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Report of the Directors

One-off Connected Transactions

The following transactions are one-off transactions entered into by our Group:

1. **Butanol and Octanol Project**

   On September 29, 2011, Wison Engineering and Wison Nanjing entered into a design contract (the "Butanol and Octanol Project Design Contract") for the 250kta butanol and octanol project plant of Wison Nanjing at Nanjing Chemical Industrial Park in Nanjing, Jiangsu Province, PRC (the "Butanol and Octanol Project") for a total consideration of RMB42,973,100 paid or payable by Wison Nanjing to Wison Engineering. As at December 31, 2012, Wison Nanjing has paid RMB40,820,000 to Wison Engineering. Pursuant to the Butanol and Octanol Project Design Contract, Wison Engineering agrees to provide services relating to the overall design of the Butanol and Octanol Project including a 250kta butanol and octanol processing unit, a 300kta propane processing unit and other ancillary facilities, participate in the examination of the design at various design stages and provide key technology services on equipment procurement and construction management, and Wison Nanjing agreed to provide a research report, an environmental impact assessment and information relating to the design and technology.

   The Butanol and Octanol Project Design Contract became effective in September 2011 and the project appraisal of the Butanol and Octanol Project is expected to be completed in November 2013.

2. **Technology licensing**

   On September 29, 2011, Wison Engineering and Wison Nanjing entered into a technology licensing agreement (the "Technology Licensing Agreement") pursuant to which Wison Engineering agreed to grant to Wison Nanjing a non-exclusive license to use its olefins separation technology that is applied to the propylene separation device (the "Device") at the Butanol and Octanol Project. Wison Nanjing may only apply the olefins separation technology in the design, procurement, installation and operation of the Device, and the olefins separation technology may not be transferred to any third party or used for any other purpose other than the implementation of the Device. The total consideration for such technology licensing amounts to approximately RMB8.1 million, which is a fixed amount and no other consideration will be payable under the Technology Licensing Agreement. The total consideration comprises RMB1.0 million for the olefins separation technology, approximately RMB6.5 million for technology packages such as technology process, data and operation manuals and documentation fees for the technology packages and RMB0.6 million for the technology service fees. As at December 31, 2012, Wison Nanjing has paid approximately RMB6.0 million to us. Based on the payment schedule of the Technology Licensing Agreement, Wison Nanjing will pay RMB1.6 million and RMB0.5 million for each of the two years ending December 31, 2013 and 2014, respectively. No other consideration

Report of the Directors

will be payable under the Technology Licensing Agreement. The Technology Licensing Agreement continues for as long as the Device is in operation but is subject to early termination by either party upon breach of contract, insolvency of either party or force majeure.

3. **Technology co-operation development contract**

On June 8, 2011, Wison Engineering and Nanjing Ruigu entered into a technology co-operation development contract (the "Co-operation Contract") in connection with a cooperative research project for methanol-to-olefins sets pilot phase (甲醇製烯烴成套技術中試階段合作研究) (the "MTO Pilot Project"). The MTO Pilot Project involves pilot phase equipment design and construction of the pilot phase equipment, trial run of the pilot phase equipment and research report. Nanjing Ruigu owned the land required for construction of a pilot phase equipment in Nanjing Chemical Industry Park with comprehensive utility facilities. The key responsibilities of Nanjing Ruigu includes deciding the location for the pilot phase equipment facility and obtaining the necessary approvals in connection with the MTO Pilot Project, construction and trial run of the pilot phase equipment, operating and making necessary improvements to the pilot phase equipment, ensuring safety and providing research report. Wison Engineering is responsible for quality assurance of the pilot phase equipment based on the research report and the completion of the construction of the pilot phase equipment designed by Nanjing Ruigu, producing operation manuals, and providing technical support for the construction and operation of the pilot phase equipment.

RMB23 million is payable by Wison Engineering to Nanjing Ruigu for funding the costs of research and development activities of the MTO Pilot Project. No other payment will be payable by us to Nanjing Ruigu. Nanjing Ruigu will bear any other expenses relating to the MTO Pilot Project. All the payments payable by us to Wison Nanjing have been made. The intellectual property rights jointly created or generated from the MTO Pilot Project will be jointly owned by Nanjing Ruigu and Wison Engineering. Wison Engineering solely owns the production and distribution rights of the research products of the MTO Pilot Project. The profits generated under the Co-operation Contract will be shared between Nanjing Ruigu and Wison Engineering as to 30% and 70%, respectively, after deduction of reasonable expenses. For the year ended December 31, 2012, no profits have been generated and shared between Nanjing Ruigu and Wison Engineering under the Co-operation Contract.

Report of the Directors

Nanjing Ruigu was de-registered and merged into Wison Nanjing on November 30, 2011 and the rights and obligations of Nanjing Ruigu under the Co-operation Contract were automatically subsumed into Wison Nanjing. The research and development of the MTO Pilot Project was completed in August 2012.

4. **Hydrogen Plant Renovation Project**

On February 23, 2012, Wison Engineering and Wison Nanjing entered into a design contract (the "Hydrogen Plant Renovation Project Design Contract") for the 35kta hydrogen plant renovation project (3.5萬噸/年氫氣改擴建項目) of Wison Nanjing in the Nanjing Chemical Industrial Park in Nanjing, Jiangsu Province, PRC (the "Hydrogen Plant Renovation Project") for a total consideration of RMB16.9 million paid or payable by Wison Nanjing to Wison Engineering for its services provided to Wison Nanjing, of which RMB16.06 million was paid during 2012. Pursuant to the Hydrogen Plant Renovation Project Design Contract, Wison Engineering is responsible for the renovation of a hydrogen processing unit and other ancillary facilities. Wison Engineering agreed to participate in the examination of the design at various design stages and provide key technology services on equipment procurement and construction management, and Wison Nanjing agreed to provide a research report, environmental impact assessment and information relating to the design and technology.

The Hydrogen Plant Renovation Project Design Contract became effective in February 2012 and the project appraisal of the Hydrogen Plant Renovation Project is expected to be completed in June 2013.

5. **Zhoushan marine engineering base project**

On May 16, 2012, Wison Engineering and Zhoushan Wison entered into a procurement and construction lead contractor agreement (as supplemented by a supplemental agreement dated August 15, 2012) (the "Zhoushan PC Agreement") for the "construction of the marine engineering base" project (海洋工程建造基地工程) in Zhoushan, Zhejiang Province, PRC, pursuant to which Zhoushan Wison engaged Wison Engineering to procure all equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for an estimated consideration of RMB990.93 million. Such amount of consideration is only an estimate and may be adjusted due to an increase or decrease in the volume of work resulting from the change in the design of the marine engineering base, fluctuation in market price of equipment and materials that significantly deviates from the initial quotation, change in the applicable legal and regulatory framework governing this type of project and other factors as agreed between the two parties. For the year ended December 31, 2012, the consideration paid by Zhoushan Wison to Wison Engineering pursuant to the Zhoushan PC Agreement amounted to RMB140 million.

Report of the Directors

The marine engineering base project is for a term of 17 months commencing from May 28, 2012 to October 31, 2013.

6. Wison Nanjing Phase III Syngas Project

On June 28, 2012, Wison Engineering and Wison Nanjing entered into a design contract (the "Wison Nanjing Phase III Syngas Project Design Contract") for Wison Nanjing's phase III syngas project (三期合成氣項目) in the Nanjing Chemical Industry Park in Nanjing, Jiangsu Province, PRC ("Wison Nanjing Phase III Syngas Project") for a total consideration of RMB36,830,000 payable by Wison Nanjing to Wison Engineering, of which RMB35,744,000 was paid during 2012. Pursuant to the Wison Nanjing Phase III Syngas Project Design Contract, Wison Engineering has agreed to provide services relating to the overall design of the Wison Nanjing Phase III Syngas Project including utilities and other ancillary facilities of the production plant and ancillary facilities, process package planning for procurement of the Linde scrubbing process (林德低溫甲醇洗), participate in the examination of the design at various design stages and provide technical services for engineering procurement, construction, testing and assessment stage.

The Wison Nanjing Phase III Syngas Project Design Contract became effective on July 12, 2012 and the project appraisal of the Wison Nanjing Phase III Syngas Project is expected to be completed in November 2013.

Report of the Directors

Continuing Connected Transactions

Details of the continuing connected transactions are set out in Note 33 to the financial statements.

For the financial year ended December 31, 2012, the following continuing connected transactions (the "Continuing Connected Transactions") have not exceeded their respective annual caps:

1. Leases

The Company leased (the "Leases") to Wison Telecommunication and Wison Nantong on January 1, 2011, and to Zerun Biotech on July 1, 2011 and January 1, 2012 specified parts of Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC.

Details of the above Leases are as follows:

Lesser	Lessee	Leased Properties	Duration of Lease	g.f.a of Leased Properties (m^2)	Authorized use of relevant land	Annual Rental (RMB in thousands)
Wison Engineering	Wison Telecommunication	• A portion of level 2, Building No. 4, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2011 to December 31, 2013	718.00	Industrial (office)	466.5
Wison Engineering	Wison Nantong	• Portions of Level 1, Building No. 4, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2011 to December 31, 2013	748.00	Industrial (office)	486.0
Wison Engineering	Zerun Biotech	• Portions of Buildings Nos. 1 and 2, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	July 1, 2011 to December 31, 2013	2,330.40	Industrial (production facility)	1,446.0
		• Portions of Levels 1 to 3, Factory No. 8, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	July 1, 2011 to December 31, 2013	5,049.66	Industrial (production facility)	3,133.3
		• Portions of Building No. 1, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2012 to December 31, 2013	510.14	Industrial (production facility)	316.5

Report of the Directors

As the Leases were entered into by Wison Engineering with Wison Telecommunication, Wison Nantong and Zerun Biotech, respectively, all of which are connected persons of our Company, the Leases are considered under Rule 14A.26 (1) of the Listing Rules to be entered into between our Group and "parties connected or otherwise associated with one another". Hence, the Leases should be aggregated under Rule 14A.26 (1) of the Listing Rules.

The rental payable by each of Wison Telecommunication, Wison Nantong and Zerun Biotech to the Group under the Leases is consistent with the prevailing market rents for similar properties in similar locations as of the commencement date of their respective tenancies. The annual cap for the aggregate annual rental payable by Wison Telecommunication, Wison Nantong and Zerun Biotech to us in respect of the Leases for the year ended December 31, 2012 is RMB5.8 million.

2. **Chemical machinery equipment and ancillary products purchasing**

   Wison Engineering and Jiangsu Xinhua entered into a framework agreement (the "Framework Agreement") dated April 25, 2011, pursuant to which Wison Engineering will purchase anchor, refractory support plunge hook and other ancillary accessories for its cracking furnaces and chemical engineering tower from Jiangsu Xinhua. The Framework Agreement has a term of three years from April 25, 2011 and is renewable for another three years upon Wison Engineering giving notice in writing to Jiangsu Xinhua at least one month prior to the expiry of the original term.

The price to be charged by Jiangsu Xinhua for the ancillary accessories will be the price or indicative price set by the state, provincial government or other regulatory bodies for that specific category of products, or in its absence, the prevailing market price available in the general area where the products are supplied, or in the PRC, the price of similar products charged by suppliers who are independent of and not connected with any director, chief executive, substantial shareholder of our Company or any of our subsidiaries or any of their respective associates. In the absence of government set price or comparable market price, the price will be determined by arm's length negotiations between the parties with reference to the reasonable cost incurred by Jiangsu Xinhua for manufacturing and supplying the products, plus a margin of 5% thereof which has been determined based on the parties' knowledge regarding the average industry margin range according to prevailing market information in the PRC and of overseas suppliers of similar products. The reasonable cost of products supplied will be determined in accordance with PRC accounting standards and agreed by the parties following negotiations.

The annual cap for the aggregate value of the purchases of ancillary accessories from Jiangsu Xinhua under the Framework Agreement for the year ended December 31, 2012 is RMB4.0 million.

Report of the Directors

In the opinion of the independent non-executive directors, the continuing connected transactions above were entered into by the Group:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.38 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the period from the date of listing of the Company on the Stock Exchange up to December 31, 2012 has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group during the year ended December 31, 2012 are set out in Note 33 to the financial statements. Upon the listing of the Company on the main board of the Stock Exchange, the related party transactions set out in Notes 33(a)(i), (a)(ii) and (a)(iii) (save for the lease agreement with Genor BioPharma Co., Ltd. which had already been terminated prior to listing) are regarded as continuing connected transactions of the Group under Rule 14A.34(1) of the Listing Rules as each of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules is less than 5%, while the related party transactions set out in Notes 33(a)(v), a(vi), b(ix) and b(x) are regarded as exempt continuing connected transactions of the Group under Rule 14A.33 of the Listing Rules. The related party transactions with Wison Nanjing and Zhoushan Wison set out in Notes 33(b)(i) and the related party transactions with Nanjing Ruigu set out in Notes 33(b)(ii) are one-off connected transactions entered into by the Group prior to listing and such transactions are still ongoing after listing.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FOUR YEAR FINANCIAL SUMMARY

The Company was listed on the main board of the Stock Exchange on December 28, 2012. A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 4 to 5 of this report.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at December 31, 2012 are set out in Note 27 to the financial statements.

EMOLUMENT POLICY

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive salaries and bonuses to its employees, and make contributions to various social welfare funds for its employees, which in turn provide retirement benefits, pension payments, medical insurance, unemployment insurance, public housing reserves, work injury insurance and maternity insurance benefits to the employees. The Company also offers a long-term incentive scheme in the form of share option schemes for eligible employees, details of which are set out under the paragraph headed "Share Option Schemes" above.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 8 to the financial statements.

PUBLIC FLOAT

The Company has obtained a waiver from the Stock Exchange and the Stock Exchange has accepted, under Rule 8.08 (1)(d) of the Listing Rules, a lower public float percentage of 21.87% of our total issued share capital.

As at the date of this report and based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, the Company has maintained the minimum public float as permitted by the Stock Exchange.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited financial statements of the Group for the financial year ended December 31, 2012.

AUDITORS

The financial statements have been audited by Ernst & Young who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

By order of the Board
Hua Bangsong
Chairman

Hong Kong, March 27, 2013

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") so as to maintain a high standard of corporate governance of the Company.

Throughout the period commencing from the date of the listing of the Company on the Stock Exchange on December 28, 2012 (the "Listing Date") through to December 31, 2012, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board of the Company currently consists of six directors, namely Mr. Hua Bangsong (Chairman), Mr. Liu Haijun and Mr. Chen Wenfeng as executive directors, Mr. Liu Ji, Mr. Choy Sze Chung Jojo and Mr. Wu Jianmin as independent non-executive Directors. There is no financial, business, family or other material relationship among the members of the Board. The Board has a balance of skills and experience appropriate forthe requirements of the business of the Company.

The biographies of the Directors are set out on pages 30 to 37 of this report.

Corporate Governance Report

Each of our executive Directors, Mr. Hua Bangsong, Mr. Liu Haijun and Mr. Chen Wenfeng, has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months' written notice. Each of our independent forthe Directors, Mr. Choy Sze Chung Jojo, Mr. Liu Ji and Mr. Wu Jianmin, has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. Notwithstanding the above, all Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB4.72 million, starting from January 2013, plus a discretionary bonus as determined by the Board and our Remuneration Committee. The basic annual remuneration payable by our Company to our independent non-executive Directors according to their respective letter of appointment will be HK$240,000. The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2012 are set out in Note 9 to the financial statements.

Throughout the period commencing from the Listing Date through to December 31, 2012, the Company has three independent non-executive Directors, which number exceeds the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors, and considers them to be independent.

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Ms. Luk Wai Mei. In compliance with Rule 3.29 of the Listing Rules, Ms. Luk has undertaken not less than 15 hours of relevant professional training during the year ended December 31, 2012.

The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

No Board meetings, nor general meetings, were held from the Listing Date through to December 31, 2012.

BOARD COMMITTEES

The Company has three principal Board committees, the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Corporate Governance Report

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Liu Ji, Mr. Choy Sze Chung Jojo and Mr. Wu Jianmin. Mr. Choy Sze Chung Jojo is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group and provide advice and comments to the Board.

As the Company's shares were only listed on the main board of the Stock Exchange from December 28, 2012, no meeting was held by the Remuneration Committee from that date to December 31, 2012.

Nomination Committee

The Nomination Committee comprises one executive Director, namely, Mr. Hua Bangsong and two independent non-executive Directors, namely Mr. Choy Sze Chung Jojo and Mr. Wu Jianmin. Mr. Wu Jianmin is the chairman of the Nomination Committee.

The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment of Directors and senior management.

As the Company's shares were only listed on the main board of the Stock Exchange from December 28, 2012, no meeting was held by the Nomination Committee from that date to December 31, 2012.

Remuneration Committee

The Remuneration Committee consists of three members, namely, Mr. Liu Ji, Mr. Wu Jianmin and Mr. Hua Bangsong, of whom Mr. Liu Ji is the chairman.

The Remuneration Committee has adopted the model described in code provision B.1.2 (c)(i) of the Code in its terms of reference. The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by our Company to our Directors. The remuneration of all Directors is subject to regular monitoring by the board remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

As the Company's shares were only listed on the main board of the Stock Exchange from December 28, 2012, no meeting was held by the Remuneration Committee from that date to December 31, 2012.

For the year ended December 31, 2012, the number of senior management (excluding directors) whose remuneration fell within the following bands is as follows:

Nil to RMB1,000,000	12
RMB1,000,001 to RMB1,500,000	6

Further details of the remuneration of the Directors and the five highest paid employees are set out in note 9 to the financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures.

During the year under review, the Board approved the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Corporate Governance Report

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 throughout the period commencing from the Listing Date to December 31, 2012.

EXTERNAL AUDITORS

Ernst & Young are appointed as the external auditors of the Company.

For the year ended December 31, 2012, the fees paid and payable to Ernst & Young for the audit of the financial statements of the Group are RMB8.48 million, of which RMB6.04 million represents audit fees paid in relation to the audit for the initial public offering and listing of the Company, and RMB2.44 million represents fees paid to Ernst & Young as the audit fees for the year ended December 31, 2012.

Ernst & Young did not provide any non-audit services to the Group in the year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on page 61 of this report. In preparing the financial statements for the year ended December 31, 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

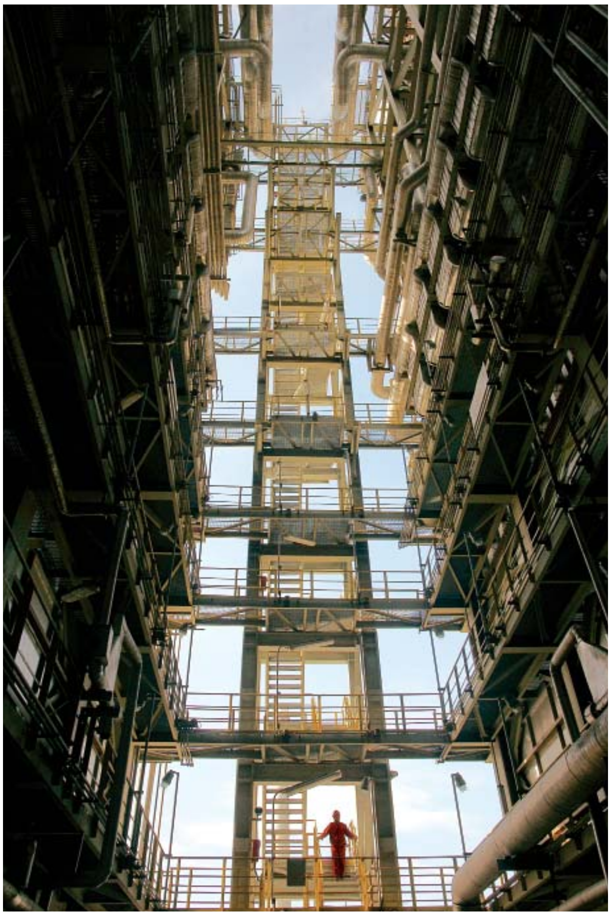
The Board has further reviewed the effectiveness of the internal control system of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary and deposited at the Company's principal place of business in Hong Kong at Room 5007, 50th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong. For the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a

Corporate Governance Report

result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.



Pursuant to article of association of the Company, if a shareholder wishes to propose a person other than a retiring Directors for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice at the registration office or head office of the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. Such written notice must be accompanied by a notice signed by the person to be proposed of his willingness to be elected as a Director.

Enquiries may be put to the Board by contacting the Company's Investor Relations Department through email at ir-eng@wison.com or directly by raising the questions at an annual general meeting or extraordinary general meeting.

During the period from the Listing Date to the date of this report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company and that of the Stock Exchange.

Independent Auditors' Report

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安　永

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

We have audited the consolidated financial statements of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 156, which comprise the consolidated and company statements of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
March 27, 2013

Consolidated Statement of Comprehensive Income

December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	6	**4,891,908**	5,036,622
Cost of sales		**(3,752,277)**	(3,829,895)
GROSS PROFIT		**1,139,631**	1,206,727
Other income and gains	6	**35,959**	30,558
Selling and marketing expenses		**(55,040)**	(24,960)
Administrative expenses		**(187,529)**	(124,073)
Other expenses		**(106,492)**	(155,709)
Finance costs	7	**(126,504)**	(137,944)
Share of (losses)/profits of an associate		**(96)**	618
PROFIT BEFORE TAX	8	**699,929**	795,217
Income tax	10	**(165,606)**	(205,504)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**534,323**	589,713
Attributable to:			
Owner of the parent		**466,812**	518,753
Non-controlling interests		**67,511**	70,960
		534,323	589,713
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	12		
— Basic		**RMB0.13**	NA
— Diluted		**RMB0.13**	NA

Consolidated Statement of Financial Position

December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**799,454**	443,702
Investment properties	15	**15,296**	15,877
Prepaid land lease payments	16	**187,185**	14,370
Goodwill	17	**15,752**	15,752
Other intangible assets	18	**13,171**	12,172
Investment in an associate	19	**1,898**	1,994
Long-term prepayments	23	**20,867**	167,834
Deferred tax assets	29	**4,752**	8,940
Total non-current assets		**1,058,375**	680,641
CURRENT ASSETS			
Inventories	20	**113,974**	46,850
Gross amounts due from contract customers	21	**3,970,267**	2,096,204
Trade and bills receivables	22	**161,214**	163,775
Due from a related company	33	**1,022**	172
Due from fellow subsidiaries	33	**—**	3,087
Due from the ultimate holding company	33	**87**	89
Prepayments, deposits and other receivables	23	**146,840**	80,382
Pledged bank balances and time deposits	24	**471,290**	508,183
Unpledged cash and bank balances	24	**1,745,951**	639,970
Total current assets		**6,610,645**	3,538,712
CURRENT LIABILITIES			
Gross amounts due to contract customers	21	**89,281**	562
Trade and bills payables	25	**2,611,976**	1,508,147
Other payables, advance from customers and accruals	26	**201,408**	175,212
Interest-bearing bank borrowings	27	**2,265,764**	1,391,604
Due to a related company	33	**—**	78
Due to an associate	33	**630**	630
Dividends payable		**16,353**	—
Tax payable		**80,668**	74,711
Total current liabilities		**5,266,080**	3,150,944
NET CURRENT ASSETS		**1,344,565**	387,768
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,402,940**	1,068,409

Consolidated Statement of Financial Position

December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Finance lease payables	28	**327**	731
Interest-bearing bank borrowings	27	**290,000**	200,000
Deferred tax liabilities	29	**58,173**	63,255
Government grants	30	**2,250**	—
Total non-current liabilities		**350,750**	263,986
NET ASSETS		**2,052,190**	804,423
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**324,560**	1
Reserves	31	**1,576,376**	649,325
		1,900,936	649,326
Non-controlling interests		**151,254**	155,097
Total equity		**2,052,190**	804,423

HUA Bangsong
Director

CHEN Wenfeng
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2012

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 31)	Share premium* RMB'000 (note 31)	Share option reserve* RMB'000 (note 32)	Capital reserve* RMB'000 (note 31)	Redemption reserve* RMB'000	Statutory surplus reserves* RMB'000	Expansion reserve* RMB'000 (note 31)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2011	—	—	—	486	1	11,292	9,243	8,191	811,800	841,013	174,292	1,015,305
Transfer to statutory reserve fund	—	—	—	—	—	14,646	7,878	—	(22,524)	—	—	—
Issue of shares	1	—	—	(1)	—	—	—	—	—	—	—	—
Exchange realignment	—	—	—	—	—	—	—	46	—	46	—	46
Deemed distribution to the then equity holder of a subsidiary	—	—	—	(486)	—	—	—	—	—	(486)	—	(486)
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	518,753	518,753	70,960	589,713
Dividends declared	—	—	—	—	—	—	—	—	(710,000)	(710,000)	(90,155)	(800,155)
As at December 31, 2011 and January 1, 2012	**1**	**—**	**—**	**(1)**	**1**	**25,938**	**17,121**	**8,237**	**598,029**	**649,326**	**155,097**	**804,423**
Issue of shares	**38,947**	**1,047,680**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,086,627**	**—**	**1,086,627**
Capitalisation issue	**285,612**	**(285,612)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share issue expenses	**—**	**(51,968)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(51,968)**	**—**	**(51,968)**
Transfer to statutory reserve fund	**—**	**—**	**—**	**—**	**—**	**6,553**	**6,553**	**—**	**(13,106)**	**—**	**—**	**—**
Exchange realignment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(213)**	**—**	**(213)**	**—**	**(213)**
Equity-settled share option arrangements	**—**	**—**	**6,908**	**—**	**—**	**—**	**—**	**—**	**—**	**6,908**	**—**	**6,908**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**466,812**	**466,812**	**67,511**	**534,323**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(256,556)**	**(256,556)**	**(71,354)**	**(327,910)**
As at December 31, 2012	**324,560**	**710,100**	**6,908**	**(1)**	**1**	**32,491**	**23,674**	**8,024**	**795,179**	**1,900,936**	**151,254**	**2,052,190**

* These reserve accounts represent the total consolidated reserves of RMB649,325,000 and RMB1,576,376,000 in the consolidated statements of financial position as at December 31, 2011 and 2012, respectively.

Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**699,929**	795,217
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	8,14,15	**22,004**	19,897
Amortisation of intangible assets	8,18	**4,912**	4,104
Amortisation of prepaid land lease payments	8,16	**4,804**	416
Share of losses/(profits) of an associate		**96**	(618)
Reversal of provision for inventories	8, 20	**—**	(599)
Loss/(gain) on disposal of items of property, plant and equipment	8	**16**	(123)
Fair value loss, net:			
Derivative instruments — transactions not qualifying as hedges	8	**—**	5,764
Reversal of impairment of trade and bills receivables	8, 22	**—**	(1,000)
Equity-settled share option expense	32	**6,908**	—
Finance costs	7	**126,504**	137,944
Interest income	6	**(19,989)**	(19,075)
		845,184	941,927
(Increase)/decrease in inventories		**(67,124)**	70,793
Decrease in trade and bills receivables		**2,561**	639,313
Increase in prepayments, deposits and other receivables		**(62,634)**	(31,184)
Increase in amounts due from/to contract customers		**(1,785,344)**	(2,041,888)
Increase in trade and bills payables		**1,103,829**	476,990
Increase/(decrease) in other payables, advance from customers and accruals		**26,196**	(77,387)
Decrease in derivative financial liabilities		**—**	(6,510)
		62,668	(27,946)
Interest received		**19,989**	19,075
Interest paid		**(126,504)**	(137,944)
Tax paid		**(160,543)**	(233,532)
Net cash flows used in operating activities		**(204,390)**	(380,347)

Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(377,532)**	(212,825)
Deposits paid for purchase of land use right		**(13,822)**	(150,197)
Decrease in an amount due from a director		**—**	659
Decrease in an amount due from the ultimate holding company		**2**	343,543
Decrease in amounts due from fellow subsidiaries		**3,087**	1,177,216
(Increase)/decrease in amount due from a related company		**(850)**	541,450
Proceeds from disposal of items of property, plant and equipment		**341**	749
Purchase of other intangible assets	18	**(5,911)**	(6,842)
Increase in long-term prepayments		**(20,867)**	—
Increase in government grants		**2,250**	—
Net cash flows (used in)/from investing activities		**(413,302)**	1,693,753
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**1,034,659**	—
(Decrease)/increase in an amount due to a related company		**(78)**	78
Increase in an amount due to an associate		**—**	630
Capital element of finance lease payments		**(570)**	(428)
Dividends paid		**(311,557)**	(984,760)
Deemed distribution to the then equity holder of a subsidiary		**—**	(486)
Decrease in pledged deposits		**36,893**	1,060,490
New bank loans		**2,656,426**	1,406,055
Repayment of bank loans		**(1,692,100)**	(2,697,196)
Increase in unpledged time deposits with original maturity of more than three months		**(4,362)**	(130,000)
Net cash flows from/(used in) financing activities		**1,719,311**	(1,345,617)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,101,619**	(32,211)
Cash and cash equivalents at beginning of year		**509,970**	542,181
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,611,589**	509,970

Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**962,469**	509,970
Unpledged time deposits with original maturity of more than three months when acquired	24	**134,362**	130,000
Unpledged time deposits with original maturity of less than three months when acquired	24	**649,120**	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		**1,745,951**	639,970
Unpledged time deposits with original maturity of more than three months when acquired	24	**(134,362)**	(130,000)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**1,611,589**	509,970

Statement of Financial Position

December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	34	**1**	1
Total non-current assets		**1**	1
CURRENT ASSETS			
Due from a subsidiary	33	**61,474**	62,323
Prepayments, deposits and other receivables	23	**—**	9,318
Dividend receivables		**438,609**	162,003
Cash and cash equivalents	24	**1,029,153**	436
Total current assets		**1,529,236**	234,080
CURRENT LIABILITIES			
Accruals	26	**8,917**	12,633
Due to subsidiaries	33	**249,862**	243,355
Total current liabilities		**258,779**	255,988
NET CURRENT ASSETS/(LIABILITIES)		**1,270,457**	(21,908)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,270,458**	(21,907)
NET ASSETS/(LIABILITIES)		**1,270,458**	(21,907)
EQUITY			
Issued capital	31	**324,560**	1
Reserves	31(d)	**945,898**	(21,908)
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		**1,270,458**	(21,907)

HUA Bangsong
Director

CHEN Wenfeng
Director

Notes to Financial Statements

Year ended December 31, 2012

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the year ended December 31, 2011 and 2012 have been prepared as if the current group structure had been in existence throughout the years, or since the respective dates of incorporation or establishment of the respective companies now comprising the Group, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2011 and 2012 have been prepared as if the current group structure had been in existence at that dates and to present the assets and liabilities of the subsidiaries using the then carrying values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the reorganisation.

Pursuant to a reorganisation, the Company became the holding company of the companies now comprising the Group on May 16, 2011. The companies now comprising the Group were under common control of the controlling shareholder, Wison Holding, before and after the reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting, as if the reorganisation had been completed at the beginning of the reporting periods.

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

Notes to Financial Statements

Year ended December 31, 2012

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinances. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. As explained above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party. The net assets of the consolidating entities or businesses are consolidated using the existing book value. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Notes to Financial Statements

Year ended December 31, 2012

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 Revised Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 Revised — *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	*Employee Benefits*[2]
IAS 27 Revised	*Separate Financial Statements*[2]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after July 1, 2012
2 Effective for annual periods beginning on or after January 1, 2013
3 Effective for annual periods beginning on or after January 1, 2014
4 Effective for annual periods beginning on or after January 1, 2015

Notes to Financial Statements

Year ended December 31, 2012

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from January 1, 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from January 1, 2015. The Group will quantify the effect in conjunction with other phases, when the financial standard including all phases is issued.

Notes to Financial Statements

Year ended December 31, 2012

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (as revised in 2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011), IAS 28 (as revised in 2011), and the subsequent amendments to these standards issued in June and October 2012 from January 1, 2013.

Notes to Financial Statements

Year ended December 31, 2012

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from January 1, 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from January 1, 2013.

IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from January 1, 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2014.

The *Annual Improvements to IFRSs 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from January 1, 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

Notes to Financial Statements

Year ended December 31, 2012

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) IAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associates is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of its associate is included in profit or loss and reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in the associate and is not individually tested for impairment.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree that are present ownership interests and entitle their holder to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identified assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, inventories, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to depreciate the cost of each item of property, plant and equipment over the following estimated useful lives.

Buildings	20–30 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment	5 years
Leasehold improvements	Over the lease terms and 5 years, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment properties) held to earn rental income rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets represent software and are subject to amortisation over an estimated useful life of five years.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS39 are classified as loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluate if and to what extent it has retained the risk and rewards of ownership of the asset when it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, an amount due to a related company, an amount due to an associate, finance lease payables and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings and finance lease payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow-moving items. Cost is determined on the weighted average basis and in case of finished goods, comprises direct materials, direct labour and appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, either on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above or in the period when services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) rental income, on a time proportion basis over the lease terms; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee retirement benefits

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salary and charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China ("PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss in the period in which they are incurred.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year.

Notes to Financial Statements

Year ended December 31, 2012

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income deferred relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flow, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to Financial Statements

Year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Notes to Financial Statements

Year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) direct material costs, (ii) costs of subcontracting and direct labour, and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) current offers from sub-contractors and suppliers, (ii) recent offers agreed with sub-contractors and suppliers, and (iii) professional estimation on construction and material costs.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

Notes to Financial Statements

Year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The carrying amount of goodwill of the Group arose from the acquisition of 河南省化工設計院 ("Henan Chemical Industry Design Institute") in 2007. This requires an estimation of the value in use of the asset and the cash-generating units to which the asset is allocated. Management consider that the goodwill should be allocated to the Group's operating segments (cash generating units) as Henan Chemical Industry Design Institute provides design service (integral to these contracts). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2012 was RMB15,752,000. Details are set out in note 17.

PRC corporate income tax

The Group is subject to corporate income taxes in the Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to Financial Statements

Year ended December 31, 2012

5. OPERATING SEGMENT INFORMATION

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

(a) Petrochemicals segment engages in the provision of service to ethylene and downstream petrochemicals, which includes design-building of ethylene production facilities, renovating and rebuilding existing ethylene cracking furnaces and technology consultancy, engineering, procurement and construction management services;

(b) Coal-to-chemicals segment engages in the provision of a broad range of EPC services to coal-to-chemicals producers;

(c) Oil refineries segment engages in the provision of procurement and construction management services to the project owners for the construction of oil refineries; and

(d) The other products and services segment engages in the provision of services on other industries, such as fine chemical production facilities and manufacture of integrated piping systems.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations.

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

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

No further geographical segment information is presented as over 90% of the Group's revenue from external customers is derived from its operation in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

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Year ended December 31, 2012

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments

Year ended December 31, 2012	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	455,737	3,173,235	301,580	961,356	4,891,908
Intersegment sales	33,244	29,547	—	—	62,791
Total revenue	488,981	3,202,782	301,580	961,356	4,954,699
Reconciliation:					
Elimination of intersegment sales					(62,791)
Revenue from continuing operations					4,891,908
Segment results	113,492	755,263	75,478	195,398	1,139,631
Reconciliations:					
Unallocated income					35,959
Unallocated expenses					(349,157)
Finance costs					(126,504)
Profit before tax					699,929
Segment assets	798,613	1,932,240	757,799	808,069	4,296,721
Reconciliations:					
Elimination of intersegment receivables					(42,904)
Corporate and other unallocated assets					3,415,203
Total assets					7,669,020
Segment liabilities	403,000	1,232,526	479,801	607,588	2,722,915
Reconciliations:					
Elimination of intersegment payables					(17,660)
Corporate and other unallocated liabilities					2,911,575
Total liabilities					5,616,830
Other segment information					
Share of losses of:					
Associate	—	—	—	(96)	(96)
Depreciation and amortisation					
Unallocated	—	—	—	—	31,720
Segment	—	—	—	—	—
Investment in an associate	—	—	—	1,898	1,898
Capital expenditure*					
Unallocated	—	—	—	—	418,132
Segment	—	—	—	—	—

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, long-term prepayments and other intangible assets.

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Year ended December 31, 2012

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended December 31, 2011	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	1,624,226	949,736	2,447,046	15,614	5,036,622
Intersegment sales	32,062	—	—	2,417	34,479
Total revenue	1,656,288	949,736	2,447,046	18,031	5,071,101
Reconciliation:					
Elimination of intersegment sales					(34,479)
Revenue from continuing operations					5,036,622
Segment results	408,880	240,298	556,051	1,498	1,206,727
Reconciliations:					
Unallocated income					31,176
Unallocated expenses					(304,742)
Finance costs					(137,944)
Profit before tax					795,217
Segment assets	926,878	597,564	811,465	44,702	2,380,609
Reconciliations:					
Elimination of intersegment receivables					(30,221)
Corporate and other unallocated assets					1,868,965
Total assets					4,219,353
Segment liabilities	547,073	316,125	643,659	3,300	1,510,157
Reconciliations:					
Elimination of intersegment payables					(1,406)
Corporate and other unallocated liabilities					1,906,179
Total liabilities					3,414,930
Other segment information					
Share of profits and losses of:					
Associate	—	—	—	618	618
Impairment losses recognised in profit or loss	975	—	—	—	975
Impairment losses reversed in profit or loss	(2,574)	—	—	—	(2,574)
Depreciation and amortisation					
Unallocated	—	—	—	—	24,417
Segment	—	—	—	—	—
Investment in an associate	—	—	—	—	1,994
Capital expenditure*					
Unallocated	—	—	—	—	369,864
Segment	—	—	—	—	—

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

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Year ended December 31, 2012

5. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	2012	2011
Customer A (Coal-to-chemicals segment)	**29.2%**	N/A*
Customer B (Coal-to-chemicals segment)	**24.8%**	N/A*
Customer C (Other products and services segment)	**18.4%**	N/A*
Customer D**	**N/A***	58.4%

* These customers contributed less than 10% of the Group's revenue during the year ended December 31, 2011 or 2012.

** During 2011, revenue from Customer D for Petrochemicals and Oil refinery segment amounted to 25.8% and 32.6% of the Group's total revenue, respectively.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

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

	2012 RMB'000	2011 RMB'000
Revenue		
Construction contracts	**4,622,603**	4,890,441
Sale of goods	**24,909**	14,683
Rendering of services	**244,396**	131,498
	4,891,908	5,036,622
Other income		
Government grants*	**5,974**	1,209
Interest income	**19,989**	19,075
Rental income	**8,035**	8,056
Sales of scrap materials	**2**	9
Others	**1,959**	2,086
	35,959	30,435
Gains		
Gain on disposal of items of plant and equipments	**—**	123
	—	123
	35,959	30,558

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

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Year ended December 31, 2012

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	RMB'000	RMB'000
Interest on bank loans	**125,868**	136,901
Interest on bills receivables	**556**	947
Interest on finance leases	**80**	96
	126,504	137,944

8. PROFIT BEFORE TAX

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

		2012	2011
	Notes	**RMB'000**	RMB'000
Cost of inventories sold		**13,787**	16,106
Cost of services provided		**3,738,490**	3,813,789
Depreciation	14,15	**22,004**	19,897
Research and development costs		**104,417**	147,579
Amortisation of prepaid land lease payments	16	**4,804**	416
Amortisation of intangible assets	18	**4,912**	4,104
Loss/(gain) on disposal of items of property, plant and equipment		**16**	(123)
Reversal of impairment of trade and bills receivables	22	**—**	(1,000)
Reversal of provision for inventories	20	**—**	(599)
Fair value losses:			
Derivative instruments — transaction not qualifying as hedges		**—**	5,764
Minimum lease payments under operating leases		**15,559**	8,242
Auditors' remuneration		**8,480**	5,397
Foreign exchange differences, net		**3,160**	(8,571)
Employee benefits expense (including directors' and chief executive's remuneration) (note 9):			
Wages and salaries		**382,848**	294,384
Equity settled share options		**6,908**	—
Retirement benefit scheme contributions		**35,573**	26,796
		425,329	321,180

Notes to Financial Statements

Year ended December 31, 2012

9. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 **RMB'000**	2011 RMB'000
Fees	**—**	—
Other emoluments:		
Salaries, allowances and benefits in kinds	**2,900**	3,544
Equity settled share option expenses	**172**	—
Retirement benefit scheme contributions	**66**	51
Total	**3,138**	3,595

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Notes to Financial Statements

Year ended December 31, 2012

9. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(a) Executive directors, independent non-executive directors and chief executives

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity settled share option expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Year ended December 31, 2012					
— Mr. Hua Bangsong	—	—	—	—	—
— Mr. Liu Haijun	—	1,643	106	33	1,782
— Mr. Chen Wenfeng	—	1,248	66	33	1,347
— Mr. Choy Sze Chung Jojo	—	3	—	—	3
— Mr. Liu Ji	—	3	—	—	3
— Mr. Wu Jianmin	—	3	—	—	3
	—	2,900	172	66	3,138
Year ended December 31, 2011					
— Mr. Hua Bangsong	—	887	—	—	887
— Mr. Liu Haijun	—	1,625	—	30	1,655
— Mr. Chen Wenfeng	—	1,032	—	21	1,053
— Mr. Zhao Ziming	—	—	—	—	—
	—	3,544	—	51	3,595

* The Company did not appoint chief executive during 2012 and 2011.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

Year ended December 31, 2012

9. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Five highest paid employees

The number of the five highest paid employees of the Group during the year is analysed as follows:

	2012	2011
Directors	**2**	1
Non-director and non-chief executive employees	**3**	4
	5	5

Details of the remuneration of the directors and chief executive are set out in above.

Details of the remuneration of the non-director and non-chief executive highest paid employees for the year ended December 31, 2012 are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kinds	**3,687**	4,451
Retirement benefit scheme contributions	**99**	120
	3,786	4,571

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2012	2011
Nil to RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**3**	4
	3	4

Notes to Financial Statements

Year ended December 31, 2012

9. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Five highest paid employees (continued)

During the year, share options were granted to 3 non-director and non-chief executive highest paid employee (2011: 4) in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year ended December 31, 2012, no emoluments were paid by the Group to any of the persons who are directors of the Company, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and 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 and Singapore as the Group did not have any assessable income arising in Hong Kong and Singapore during the year ended December 31, 2012 (2011: Nil).

	2012 **RMB'000**	2011 RMB'000
Current — Mainland China:		
Charge for the year	**102,282**	148,270
Deferred (note 29)	**63,324**	57,234
Total tax charge for the year	**165,606**	205,504

惠生工程（中國）有限公司 ("Wison Engineering") was qualified as a "High and New Technology Enterprise" in 2011 and was entitled to a preferential corporate income tax ("CIT") rate of 15% for three years successively from 2011 to 2013. Hence, Wison Engineering was subject to CIT at a rate of 15% in 2011 and 2012.

Notes to Financial Statements

Year ended December 31, 2012

10. INCOME TAX (continued)

惠生（揚州）化工機械有限公司 ("Wison Yangzhou") was qualified as a "production enterprise" and was entitled to full exemption from CIT for the first and second profitable years (after offsetting accumulated tax losses, which could be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the three succeeding years commencing from 2008. Wison Yangzhou's first profitable year was 2006. Wison Yangzhou was entitled to a CIT rate of 25%.

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the year as follows:

	2012 **RMB'000**	2011 RMB'000
Profit before tax	**699,929**	795,217
At the statutory income tax rates	**174,982**	198,804
Tax at lower tax rates	**(75,940)**	(82,338)
Tax losses not recognised	**15,058**	11,492
Withholding taxes on undistributed profits of the subsidiaries in Mainland China	**59,136**	59,723
Capital gain tax	**—**	14,831
Additional tax deduction	**(9,687)**	—
Expenses not deductible for tax	**2,057**	2,992
Tax charge for the year	**165,606**	205,504

Pursuant to the new tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. On February 22, 2008, Caishui (2008) No. 1 was promulgated by the tax authorities of the PRC to specify that dividends declared and remitted out of the PRC from the undistributed profits as at December 31, 2007 are exempted from withholding tax. The applicable rate of the Group is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

Notes to Financial Statements

Year ended December 31, 2012

11. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Interim	256,556	710,000
Final	—	—
	256,556	710,000

The Company declared interim dividends to its shareholder, during the years ended December 31, 2012 and 2011 of RMB256,556,000 and RMB710,000,000, respectively. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.

12. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,525,260,274 in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year 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 year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary share.

Earnings per share information for the year ended 31 December 2011 was not considered meaningful due to the reorganisation as described in note 2.

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Year ended December 31, 2012

12. EARNINGS PER SHARE (continued)

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

	2012 RMB'000
Earnings	
Profit attributable to ordinary equity holders of the parent,	
used in the basic earnings per share calculation:	**466,812**
Shares	
Weighted average number of ordinary shares in issue during the year used	
in the basic earnings per share calculation	**3,525,260,274**
Effect of dilution — weighted average number of ordinary shares:	
— Share options	**2,169,019**
	3,527,429,293

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended December 31, 2011 and 2012 includes a profit of RMB507,354,000 (2011: RMB735,390,000) which has been dealt with in the financial statements of the Company (note 31 (d)).

Notes to Financial Statements

Year ended December 31, 2012

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2012							
At December 31, 2011 and January 1, 2012:							
Cost	248,309	5,965	16,637	24,511	43,178	211,011	549,611
Accumulated depreciation	(54,250)	(550)	(9,351)	(15,709)	(26,049)	—	(105,909)
Net carrying amount	194,059	5,415	7,286	8,802	17,129	211,011	443,702
At January 1, 2012, net of accumulated depreciation	194,059	5,415	7,286	8,802	17,129	211,011	443,702
Additions	—	891	95	6,015	8,156	362,375	377,532
Depreciation provided during the year	(8,294)	(2,055)	(1,613)	(3,807)	(5,654)	—	(21,423)
Disposals	—	—	—	(118)	(239)	—	(357)
At December 31, 2012, net of accumulated depreciation	185,765	4,251	5,768	10,892	19,392	573,386	799,454
At December 31, 2012:							
Cost	248,309	6,856	16,732	29,557	49,952	573,386	924,792
Accumulated depreciation	(62,544)	(2,605)	(10,964)	(18,665)	(30,560)	—	(125,338)
Net carrying amount	185,765	4,251	5,768	10,892	19,392	573,386	799,454

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Year ended December 31, 2012

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2011							
At January 1, 2011:							
Cost	248,309	2,694	18,085	23,930	37,431	13,348	343,797
Accumulated depreciation	(45,957)	(2,223)	(9,567)	(14,667)	(21,070)	—	(93,484)
Net carrying amount	202,352	471	8,518	9,263	16,361	13,348	250,313
At January 1, 2011, net of accumulated depreciation	202,352	471	8,518	9,263	16,361	13,348	250,313
Additions	—	5,371	234	2,832	7,231	197,663	213,331
Depreciation provided during the year	(8,293)	(427)	(1,461)	(2,986)	(6,149)	—	(19,316)
Disposals	—	—	(5)	(307)	(314)	—	(626)
At December 31, 2011, net of accumulated depreciation	194,059	5,415	7,286	8,802	17,129	211,011	443,702
At December 31, 2011:							
Cost	248,309	5,965	16,637	24,511	43,178	211,011	549,611
Accumulated depreciation	(54,250)	(550)	(9,351)	(15,709)	(26,049)	—	(105,909)
Net carrying amount	194,059	5,415	7,286	8,802	17,129	211,011	443,702

At December 31, 2012, certain of the Group's buildings with a net book value of approximately RMB123,394,000 (2011: RMB193,443,000) were pledged to secure general banking facilities granted to the Group (note 27). The net book values of the Group's property, plant and equipment held under finance leases included in the total amounts of office equipment at December 31, 2012 amounted to RMB917,000 (2011: RMB1,304,000).

The Group's buildings are situated in Mainland China and are held on long term leases.

Notes to Financial Statements

Year ended December 31, 2012

15. INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
Carrying amount at January 1	**15,877**	16,458
Depreciation	**(581)**	(581)
Carrying amount at December 31	**15,296**	15,877

The fair values of the Group's investment properties amounted to RMB36,809,000 (2011: RMB34,043,000), based on valuations as at December 31, 2012 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis.

The Group's investment property is under medium term lease situated in Mainland China and is leased to a third party under operating leases (note 35).

16. PREPAID LAND LEASE PAYMENTS

	2012 RMB'000	2011 RMB'000
Carrying amount at January 1	**14,786**	15,202
Additions during the year	**181,656**	—
Amortised during the year	**(4,804)**	(416)
Carrying amount at end of the year	**191,638**	14,786
Current portion included in prepayments, deposits and other receivables	**(4,453)**	(416)
Non-current portion	**187,185**	14,370

The carrying amount of the Group's prepaid land lease payments represents land use rights in Mainland China with land held under the following lease terms:

	2012 RMB'000	2011 RMB'000
Long term lease (≥50 years)	**13,954**	14,370
Medium term lease (<50 years)	**173,231**	—
	187,185	14,370

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Year ended December 31, 2012

16. PREPAID LAND LEASE PAYMENTS (continued)

At December 31, 2012, certain of the Group's leasehold interests on land with the carrying amount of approximately RMB11,756,000 (2011: RMB14,786,000) were pledged to secure banking facilities granted to the Group (note 27).

17. GOODWILL

	2012 **RMB'000**	2011 RMB'000
Carrying amount at beginning of year and at the end of the year	**15,752**	15,752

The carrying amount of goodwill of the Group arose from the acquisition of the business of Henan Chemical Industry Design Institute during 2007.

The recoverable amount of the goodwill is determined from a value in use calculation using cash flow forecast based on financial budgets. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the year. The directors has estimated the discount rate of 20% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The growth rate of 20% is based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for 2012 and extrapolates cash flow for the following five years based on an estimated average industry growth rate. The rate does not exceed the average long-term growth rate for the relevant markets.

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18. OTHER INTANGIBLE ASSETS

	2012	2011
	RMB'000	RMB'000
Software		
At January 1		
Cost	**30,348**	23,506
Accumulated amortisation	**(18,176)**	(14,072)
Net carrying amount	**12,172**	9,434
Cost at January 1, net of accumulated amortisation	**12,172**	9,434
Additions	**5,911**	6,842
Amortisation provided during the year	**(4,912)**	(4,104)
At the end of the year, net of accumulated amortisation	**13,171**	12,172
At the end of the year		
Cost	**36,259**	30,348
Accumulated amortisation	**(23,088)**	(18,176)
Net carrying amount	**13,171**	12,172

19. INVESTMENT IN AN ASSOCIATE

	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**—**	—
Share of net assets	**1,898**	1,994
	1,898	1,994

Investment in an associate as at December 31, 2012 represents the Group's 30% equity interest in 河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd. "Henan Chuangsite") *, a company established in the PRC.

The principal activity of Henan Chuangsite is the provision of supervisory services for construction projects. The Group's equity holding in Henan Chuangsite is held through a wholly-owned subsidiary of the Company.

* Henan Chuangsite is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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19. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information of Henan Chuangsite, the Group's associate, extracted from its management accounts:

	2012 **RMB'000**	2011 RMB'000
Assets	**6,928**	7,341
Liabilities	**602**	696

	2012 **RMB'000**	2011 RMB'000
Revenue	**4,495**	10,579
(Loss)/profit for the year	**(319)**	2,056

20. INVENTORIES

	2012 **RMB'000**	2011 RMB'000
Construction materials, net	**102,649**	34,758
Raw materials, gross	**8,692**	7,150
Work in progress, gross	**1,713**	1,352
Finished goods, gross	**920**	3,590
	113,974	46,850

The movements in the provision for inventory provision are as follows:

	2012 **RMB'000**	2011 RMB'000
At January 1	**2,556**	3,155
Reversal of provision for the year (note 8)	**—**	(599)
At December 31	**2,556**	2,556

Notes to Financial Statements

Year ended December 31, 2012

21. CONSTRUCTION CONTRACTS

	2012 RMB'000	2011 RMB'000
Gross amounts due from contract customers	**3,970,267**	2,096,204
Gross amounts due to contract customers	**(89,281)**	(562)
	3,880,986	2,095,642

	2012 RMB'000	2011 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**18,659,352**	12,341,386
Less: Progress billings	**(14,778,366)**	(10,245,744)
	3,880,986	2,095,642

As at December 31, 2012, RMB216,260,000 (2011: RMB185,478,000) of advances to suppliers were included in the gross amount due from/(to) contract customers, respectively.

The gross amounts due from/(to) contract customers for contract work include balances with fellow subsidiaries and a related company of the Company as follows:

	2012 RMB'000	2011 RMB'000
Fellow subsidiaries		
惠生（南京）清潔能源股份有限公司 (formerly known as 惠生（南京）化工有限公司 "Wison Nanjing")	**(1,772)**	3,893
舟山惠生海洋工程有限公司 ("Zhoushan Wison")**	**772,699**	—
Related company		
陝西長青能源化工有限公司 ("Shaanxi Changqing")*	**690,605**	429,504

* Shaanxi Changqing is indirectly owned as to 25% by Mr. Hua Bangsong, a director and beneficial shareholder of the Company.

** According to a tri-party agreement entered into on March 25, 2013 between the Group, Wison Holding and Zhoushan Wison, Wison Holding has provided irrevocable guarantee to the Group in respect of any outstanding contract amount due to the Group by Zhoushan Wison for the contract performed by the Group for Zhoushan Wison.

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Year ended December 31, 2012

22. TRADE AND BILLS RECEIVABLES

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

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

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

	2012 **RMB'000**	2011 RMB'000
Trade and bills receivables:		
Less than 3 months	**79,857**	72,838
4 to 6 months	**4,371**	14,555
7 to 12 months	**10,399**	26,703
Over 1 year	**66,587**	49,679
	161,214	163,775

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

	2012 **RMB'000**	2011 RMB'000
At January 1	**765**	1,765
Reversal of impairment for the year (note 8)	**—**	(1,000)
At December 31	**765**	765

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Year ended December 31, 2012

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**82,971**	82,869
Less than 3 months	**2,326**	14,555
4 to 12 months	**10,330**	26,703
Over 1 year	**65,587**	39,648
	161,214	163,775

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

	2012	2011
	RMB'000	RMB'000
Fellow subsidiary		
Wison Nanjing	**319**	—
Related company		
Shaanxi Changqing	**500**	52,058

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

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2012	2011
	RMB'000	RMB'000
Current portion of prepaid land lease payments	**4,453**	416
Prepayments	**29,229**	211,393
Deposits	**9,463**	8,413
Other receivables, net of provision for impairment	**124,562**	27,994
	167,707	248,216
Less: Non-current portion	**(20,867)**	(167,834)
	146,840	80,382

The amounts due from a fellow subsidiary and a related company included in other receivables are as follows:

	2012	2011
	RMB'000	RMB'000
Fellow subsidiary		
Wison Nanjing	**—**	50
Related company		
Shaanxi Changqing	**12,219**	3,526

In 2012, Wison Engineering had entered into a joint venture agreement ("JV Agreement") with Hyundai Engineering & Construction Co., Ltd and Hyundai Engineering Co., Ltd. to form an investment consortium, whereby it was mutually agreed that the investment consortium will enter into construction agreements with PDVSA Petróleos, S.A. to undertake an overseas construction project for PDVSA Petróleos, S.A. (at an aggregate contract value of approximately USD2,994 million).

As at December 31, 2012, the voting power, profit sharing of the joint venture has not yet been determined by the joint venture partners who are currently bearing their own costs.

Other receivables as at December 31, 2012 included an amount of RMB2,298,000 for expense reimbursement from Hyundai Engineering & Construction Co., Ltd. and Hyundai Engineering Co., Ltd.. The receivable from Hyundai Engineering & Construction Co., Ltd. and Hyundai Engineering Co., Ltd is unsecured, interest-free and repayment on demand.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	2012	2011
	RMB'000	RMB'000
Prepayments	—	9,201
Deposits	—	117
	—	9,318

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The fair values of other receivables approximated to their corresponding carrying amounts, due to their relatively short maturity term.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2012	2011
	RMB'000	RMB'000
Cash and bank balances	**1,202,500**	598,372
Time deposits with original maturity of less than three months	**741,687**	867
Time deposits with original maturity of more than three months	**273,054**	548,914
	2,217,241	1,148,153
Less: Pledged bank balances and time deposits	**(471,290)**	(508,183)
Unpledged cash and cash equivalents	**1,745,951**	639,970

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Year ended December 31, 2012

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

At December 31, 2012, bank deposits of RMB400,125,000 (2011: RMB235,291,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At December 31, 2012, bank deposits of RMB52,970,000 (2011: RMB3,967,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At December 31, 2012, bank deposits of RMB18,195,000 (2011: nil) were pledged as security for bill facilities granted by the bank.

At December 31, 2011, bank deposits of RMB268,925,000 were pledged as security for bank loans (note 27).

At December 31, 2012, the cash and bank balances of the Group denominated in RMB amounted to RMB1,011,510,000 (2011: RMB1,076,082,000). 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.

Company

	2012 **RMB'000**	2011 RMB'000
Cash and bank balances	**380,033**	436
Time deposits with original maturity of less than three months	**649,120**	—
Cash and bank balances	**1,029,153**	436

Notes to Financial Statements

Year ended December 31, 2012

25. TRADE AND BILLS PAYABLES

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

	2012 RMB'000	2011 RMB'000
Less than 1 year	**2,323,626**	1,345,029
1 to 2 years	**120,618**	104,378
2 to 3 years	**151,506**	47,740
Over 3 years	**16,226**	11,000
	2,611,976	1,508,147

The amounts due to a related company included in the trade payables are as follows:

	2012 RMB'000	2011 RMB'000
江蘇新華化工機械有限公司 (Jingsu Xinhua Chemical Engineering Co., Ltd. "Jiangsu Xinhua")	**—**	1,008

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

26. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS

Group

	2012 RMB'000	2011 RMB'000
Accruals	**15,145**	20,721
Advance from customers	**3,998**	42
Other payables	**182,265**	154,449
	201,408	175,212

Notes to Financial Statements

Year ended December 31, 2012

26. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS (continued)

Company

	2012 RMB'000	2011 RMB'000
Accruals	**8,917**	12,633
	8,917	12,633

Other payables are unsecured, non-interest-bearing and repayable on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2012 RMB'000	2011 RMB'000
Current		
Bank loans repayable within one year		
— secured	**1,865,472**	1,161,146
— unsecured	**400,000**	230,000
	2,265,472	1,391,146
Finance lease payables (note 28)	**292**	458
	2,265,764	1,391,604
Non-current		
Bank loans repayable in the second year		
— secured	**140,000**	200,000
Bank loans repayable in the third to fifth years		
— secured	**150,000**	—
	290,000	200,000
Finance lease payables (note 28)	**327**	731
	290,327	200,731
	2,556,091	1,592,335

Notes to Financial Statements

Year ended December 31, 2012

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

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

	US$'000	US$'000
— US$ denominated	—	40,000

The US$ denominated loans at December 31, 2011 bore interest at floating rates pegged to the London Inter Bank Offered Rate. The remaining bank and other borrowing balances at December 31, 2012 are denominated in RMB and bear interest for floating rates except for loans of RMB1,196,048,000 at December 31, 2012 (2011: RMB235,300,000), which bear interest at fixed rates.

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

Year ended December 31, 2011	0.99% to 7.22%
Year ended December 31, 2012	3.74% to 7.92%

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

	Notes	**2012** **RMB'000**	2011 RMB'000
Buildings	14	**123,394**	193,443
Leasehold interests on land	16	**11,756**	14,786
Time deposits	24	—	268,925

During the year ended December 31, 2012, Wison Investment executed guarantees to certain banks for bank facilities to the Group of RMB1,150,000,000 (2011: Nil) at nil consideration. As at December 31, 2012, the loans were drawn down to the extent of RMB565,000,000 (note 33).

Notes to Financial Statements

Year ended December 31, 2012

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

In addition, certain banks have granted credit facilities to the Group for which the receivables from construction contracts with 中國石油天然氣股份有限公司撫順石化分公司 ("PetroChina Fushun Petrochemical Company"), 中國石油四川石化有限責任公司 ("PetroChina Sichuan Petrochemical Co., Ltd.") and other customers are pledged as security (note 22). As at December 31, 2012, the bank loans were drawn down to the extent of RMB1,179,048,000 (2011: RMB886,200,000).

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

28. FINANCE LEASE PAYABLES

During the years ended December 31, 2011 and 2012, the Group leased certain of its office machinery for its operation requirements. These leases are classified as finance leases and having remaining lease terms ranging from three to five years.

At December 31, 2011 and 2012, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments December 31, 2012 RMB'000	Present value of payments December 31, 2012 RMB'000
Amounts payable:		
Within one year	287	252
In the second year	225	207
In the third to fifth years, inclusive	169	160
Total minimum finance lease payments	681	619
Future finance charges	(62)	
Total net finance lease payables	619	
Portion classified as current liabilities (note 27)	(292)	
Non-current portion	327	

Notes to Financial Statements

Year ended December 31, 2012

28. FINANCE LEASE PAYABLES (continued)

	Minimum lease payments December 31, 2011 RMB'000	Present value of payments December 31, 2011 RMB'000
Amounts payable:		
Within one year	557	498
In the second year	328	293
In the third to fifth years, inclusive	425	398
Total minimum finance lease payments	1,310	1,189
Future finance charges	(121)	
Total net finance lease payables	1,189	
Portion classified as current liabilities (note 27)	(458)	
Non-current portion	731	

29. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during year are as follows:

Deferred tax assets

	2012 RMB'000	2011 RMB'000
At January 1	**8,940**	6,451
Deferred tax credited/(charged) to profit or loss during the year	**(4,188)**	2,489
Gross deferred tax assets at December 31	**4,752**	8,940

Deferred tax liabilities

	2012 RMB'000	2011 RMB'000
At January 1	**63,255**	91,304
Realised during the year	**(64,218)**	(87,772)
Deferred tax charged to profit or loss during the year	**59,136**	59,723
Gross deferred tax liabilities at December 31	**58,173**	63,255

Notes to Financial Statements

Year ended December 31, 2012

29. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Group's deferred tax assets and deferred tax liabilities are attributed to the following items, which are reflected in the statements of financial position:

Deferred tax assets

	2012 **RMB'000**	2011 RMB'000
Provision for impairment of assets	**514**	520
Accruals and payables	**4,238**	8,420
Deferred tax assets at year end	**4,752**	8,940

Deferred tax liabilities

	2012 **RMB'000**	2011 RMB'000
Withholding taxes arising from undistributed profits of the PRC subsidiaries	**58,173**	63,255
Deferred tax liabilities at year end	**58,173**	63,255

Deferred tax assets have not been recognised in respect of the following items:

	2012 **RMB'000**	2011 RMB'000
Tax losses	**15,058**	11,492

There are no income tax consequences attaching to the payment of dividends by the Company to its share holders.

Notes to Financial Statements

Year ended December 31, 2012

30. GOVERNMENT GRANTS

	2012 RMB'000	2011 RMB'000
Carrying amount at beginning of the year	—	—
Received during the year	**8,224**	1,209
Released to the profit or loss (note 6)	**(5,974)**	(1,209)
Carrying amount at end of the year	**2,250**	—

The Group received government grants for the purpose of using the energy-saving materials in the newly constructed office buildings.

31. ISSUED CAPITAL AND RESERVES

(a) Shares

	2012	2011
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	3,000,000
Issued:		
Ordinary shares of HK$0.1 each	**4,000,000,000**	10,000

	2012 RMB'000	2011 RMB'000
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	319
Issued:		
Ordinary shares of HK$0.1 each	**324,560**	1

The Company was incorporated with authorised share capital of HK$300,000 divided into 3,000,000 shares of HK$0.1 each, of which 1,000 ordinary shares with a par value of HK$0.1 each were allotted and issued, credited as fully paid by the Company to its then sole shareholder on April 12, 2004.

Notes to Financial Statements

Year ended December 31, 2012

31. ISSUED CAPITAL AND RESERVES (continued)

(a) Shares (continued)

On May 16, 2011, the Company issued 9,000 ordinary shares of HK$0.1 each to Wison Holding pursuant to the Group Reorganisation for the acquisition of the entire issued share capital of Wison Engineering Technology Limited ("Wison Technology").

Pursuant to a resolution in writing passed by the sole shareholder of the Company on November 30, 2012, the authorised share capital of the Company was increased from HK$300,000 to HK$2,000,000,000 by the creation of additional 19,997,000,000 shares of HK$0.1 each.

Pursuant to resolutions in writing passed by the sole shareholder of the Company on November 30, 2012, the directors of the Company were authorised to capitalise HK$351,999,000 to be standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 3,519,990,000 shares. On November 30, 2012, 3,519,990,000 shares of HK$0.1 each were conditionally allotted and issued on December 28, 2012.

On December 28, 2012, 480,000,000 shares of HK$0.1 each of the Company were issued at HK$2.79 by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$48,000,000 (approximately RMB38,947,000), representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$1,291,200,000 (approximately RMB1,047,680,000) have been credited to the share premium account.

(b) Share premium account

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Notes to Financial Statements

Year ended December 31, 2012

31. ISSUED CAPITAL AND RESERVES (continued)

(c) Statutory surplus reserve ("SSR") and expansion reserve

Group

In accordance with the Company Law of the PRC and the articles of association, Wison Engineering may make appropriation to its statutory surplus reserve fund and expansion reserve fund as a percentage of its profit after tax. The amount of the appropriation is subject to the approval of the board of directors of Wison Engineering in accordance with the articles of association of Wison Engineering. Subject to certain restrictions set out in the Company Law of the PRC and the articles of association, part of these reserves may be converted to increase the company's registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

In accordance with the Company Law of the PRC and the articles of association, Wison Yangzhou is required to transfer at least 10% of its profit after tax to its statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC and the articles of association of Wison Yangzhou, this reserve may be capitalised as the registered capital.

The SSR and the expansion reserve are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

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Year ended December 31, 2012

31. ISSUED CAPITAL AND RESERVES (continued)

(d) Reserves of the Company

	Share option reserve	Share premium	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	—	—	(47,298)	(47,298)
Net profit and total comprehensive income for the year (note 13)	—	—	735,390	735,390
Dividend declared		—	(710,000)	(710,000)
At December 31, 2011 and January 1, 2012	**—**	**—**	**(21,908)**	**(21,908)**
Capitalisation issue		**(285,612)**	**—**	**(285,612)**
Issue of new shares	**—**	**1,047,680**	**—**	**1,047,680**
Share issue expenses	**—**	**(51,968)**	**—**	**(51,968)**
Net profit and total comprehensive income for the year (note 13)	**—**	**—**	**507,354**	**507,354**
Equity-settled share option arrangements (note 32)	**6,908**	**—**	**—**	**6,908**
Dividend declared	**—**	**—**	**(256,556)**	**(256,556)**
At December 31, 2012	**6,908**	**710,100**	**228,890**	**945,898**

(e) Capital reserve

The capital reserve represents the paid-in capital of Wison Singapore Pte. Ltd. ("Wison Singapore") at December 31, 2012. The Group acquired Wison Singapore during 2011 from Wison Holding which was a business combination under common control and has been accounted for by applying for the principle of merger accounting and the capital reserve has been debited.

Notes to Financial Statements

Year ended December 31, 2012

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Pre-IPO Scheme") prior to the public listing of its shares for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Scheme are the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Pre-IPO Scheme was conditionally adopted on November 30, 2012 and became effective from December 28, 2012, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Pre-IPO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of three to seven years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Pre-IPO Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average of the closing prices of the shares on the Main Board as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Financial Statements

Year ended December 31, 2012

32. SHARE OPTION SCHEME (continued)

197,923,000 share options were granted during the year.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012

Number of options	Exercise price* HK$ per share	Exercise period
39,584,600	0.837	29/12/2015–28/12/2020
39,584,600	0.837	29/12/2016–28/12/2020
39,584,600	0.837	29/12/2017–28/12/2020
39,584,600	0.837	29/12/2018–28/12/2020
39,584,600	0.837	29/12/2019–28/12/2020
197,923,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was RMB376,883,000 (RMB1.904 each), of which the Group recognised a share option expense of RMB6,908,000 during the year ended December 31, 2012.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012
Dividend yield (%)	**0.00%**
Expected volatility (%)	**44.17%**
Historical volatility (%)	**44.17%**
Risk-free interest rate (%)	**3.49%**
Expected life of options (year)	**8**
Weighted average share price (RMB per share)	**2.40**

Notes to Financial Statements

Year ended December 31, 2012

32. SHARE OPTION SCHEME (continued)

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 197,923,000 share options outstanding under the Pre-IPO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 197,923,000 additional ordinary shares of HK$0.1 each of the Company and additional share capital of HK$19,792,300 and share premium of HK$145,869,000 (before issue expenses).

33. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2012** **RMB'000**	2011 RMB'000
Related companies:			
Purchase of products	(a)(i)	**179**	2,980
Rental income	(a)(ii)	**467**	467
Rendering of services	(b)(i)	**1,217,730**	878,478
Fellow subsidiaries:			
Rental income	(a)(iii)	**5,382**	5,382
Rendering of services	(b)(i)	**979,876**	19,914
Rental expenses	(a)(iv)	**276**	331
Purchase of services	(b)(ii)	**14,000**	4,600

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Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) Recurring:

(i) The Group and Jiangsu Xinhua entered into a framework agreement effective on April 25, 2011 for a term of three years that sets out the principal terms and conditions under which the Group will purchase anchor, refractory support plunge hook and other ancillary accessories for its cracking furnaces and chemical engineering tower from Jiangsu Xinhua. The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers.

(ii) During the year ended December 31, 2011, the Group leased out office space to 上海惠生通訊技術有限公司 (Wison (Shanghai) Telecommunication Technology Company Limited "Wison Telecommunication"), a subsidiary of Jiangsu Xinhua, for RMB467,000 per annum for a three-year period commencing from January 1, 2011.

In the opinion of the Directors of the Company, the transaction between the Group and Wison Telecommunication were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(iii) The Group leased out office spaces to 上海澤潤生物科技有限公司 (Shanghai Zerun Biotechnology Co., Ltd. "Zerun Biotech"), a fellow subsidiary of the Company. In 2010, the Group and Zerun Biotech entered into a lease agreement, for which the Group leased out office spaces to Zerun Biotech for RMB4,269,000 per annum for a three-year period commencing from January 1, 2011. During the year ended December 31, 2011, the Group and Zerun Biotech agreed to supersede the foregoing lease agreements and entered into another lease agreement, for which the Group leased out two additional office premises to Zerun Biotech of which one premise is RMB4,579,000 per annum for a 30 month period commencing from July 1, 2011 and another premise is RMB317,000 per annum for a 24-month period commencing from January 1, 2012. Rental income for the year ended December 31, 2012 from Zerun Biotech amounted to RMB4,896,000 (2011: RMB4,424,000).

In 2010, the Group and 嘉和生物藥業有限公司 ("Genor BioPharma Co., Ltd. "Genor BioPharma", a fellow subsidiary of the Company), entered into a lease agreement, for which the Group leased out office spaces to Genor BioPharma for RMB626,000 per annum for a three-year period commencing from January 1, 2011. During the year ended December 31, 2011, the Group and Genor BioPharma agreed to amend the foregoing lease agreement, for which Genor BioPharma reduced the leased office spaces for RMB317,000 per annum for a 6-month period commencing from July 1, 2011. On December 20, 2011, the Group and Genor BioPharma agreed to terminate the above agreements. Rental income for the year ended December 31, 2011 from Genor BioPharma amounted to RMB472,000.

During the year ended December 31, 2011, the Group leased out office spaces to 惠生（南通）重工有限公司 (Wison (Nantong) Heavy Industrial Co., Ltd. "Wison Nantong", a fellow subsidiary of the Company), for RMB486,000 per annum for a three-year period commencing from January 1, 2011. Rental income for the year ended December 31, 2012 from Wison Nantong amounted to RMB486,000 (2011: RMB486,000).

In the opinion of the Directors of the Company, the transactions between the Group and Zerun Biotech, Genor BioPharma and Wison Nantong were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

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Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(a) Recurring: (continued)

(iv) On August 29, 2011, 南京瑞固化工有限公司 (Nanjing Ruigu Chemical Engineering Co. Ltd. "Nanjing Ruigu"), a previously fellow subsidiary of the Company de-registered and merged with Wison Nanjing on November 30, 2011, leased to the Group a portion of land. The lease is for a term commencing from July 1, 2011 to December 31, 2013. On May 30, 2012, the Group and Wison Nanjing agreed to terminate the above lease agreement. Rental expenses for the years ended December 31, 2012 amounted to RMB276,000 (2011: RMB331,000). In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing and Nanjing Ruigu were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(v) Wison Holding, as licensor, entered into three trademark licensing agreements with the Group to grant the right to use the trademarks by the Group on a perpetual and non-exclusive basis for nominal or nil consideration during the year ended December 31, 2012.

(vi) On May 18, 2010, the Group entered into four separate patent licensing agreements, each for a term of six years, with Wison Nanjing, pursuant to which the Group agreed to grant an exclusive licence to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas free of royalty fee.

(b) Non-recurring:

(i) During the year ended December 31, 2011, the Group and Wison Nanjing entered into a design contract and a technology licensing agreement whereby Wison Nanjing engaged the Group to design and licence the technology for its Butanol and Octanol projects including a 250kta Butanol and Octanol processing unit, a 300kta propane processing unit and other ancillary facilities for an aggregate contract value of RMB51,030,000. The Group recognised revenue of RMB28,996,000 on this contract during the year ended December 31, 2012 (2011: RMB17,464,000). In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

During the year ended December 31, 2012, the Group and Wison Nanjing entered into a series of service contracts for total contract values of RMB2,450,000 and RMB53,730,000, respectively. The Group recognised revenue of RMB45,267,000 on these contracts during the year ended December 31, 2012 (2011: RMB2,450,000). In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

Notes to Financial Statements

Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(b) Non-recurring: (continued)

(i) (continued)

During the year ended December 2011, the Group and Shaanxi Changqing, of which Wison Holding has an indirect 25% equity interest, entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal to chemical production facilities for a contract value of RMB2,186,500,000. The Group and Shaanxi Changqing agreed to increase the contract consideration by RMB305,220,000 due to variation orders. The Group recognised revenue of RMB1,217,730,000 on this contract during the year ended December 31, 2012 (2011: RMB878,478,000). In the opinion of the Directors of the Company, the transactions between the Group and Shaanxi Changqing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from contract customers and trade receivables relating to Shaanxi Changqing are set out in notes 21 and 22, respectively.

On May 16, 2012, the Group and Zhoushan Wison, a fellow subsidiary of the Company, entered into a construction contract whereby Zhoushan Wison engaged the Group to procure all the equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for a contract value of RMB990,930,000. The Group recognised revenue of RMB905,613,000 on this contract during the year ended December 31, 2012. In the opinion of the Directors of the Company, the transactions between the Group and Zhoushan Wison were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from contract customers and trade receivables relating to Zhoushan Wison are set out in notes 21 and 22, respectively.

(ii) On June 8, 2011, the Group and Nanjing Ruigu, entered into a technology co-operation development contract for the development of the project "cooperative research project for the methanol-to-olefins sets pilot phase", for a consideration of RMB23,000,000. The Group paid research and development expenses of RMB14,000,000 on this contract to Nanjing Ruigu during the year ended December 31, 2012 (2011: RMB4,600,000). In the opinion of the Directors of the Company, the transactions between the Group and Nanjing Ruigu were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(iii) During the year ended December 31, 2012, the Group paid certain expenses of RMB8,693,000 (2011: RMB3,526,000) on behalf of Shaanxi Changqing.

(iv) During the year ended December 31, 2011, the Group paid a tendering deposit of RMB50,000 to Wison Nanjing and has been settled subsequently in 2012.

(v) During the year ended December 31, 2009, Wison Nanjing executed a guarantee to a bank for a credit facility granted to the Group of RMB200,000,000 at nil consideration. The guarantee was released in 2011.

(vi) During the year ended December 31, 2010, Wison Engineering executed a guarantee to a bank for a credit facility granted to Wison Nanjing of RMB300,000,000 for nil consideration. The guarantee was released in 2011.

Notes to Financial Statements

Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(b) Non-recurring: (continued)

(vii) During the year ended December 31, 2012, Wison Investment executed guarantees to certain banks for bank facilities to the Group of RMB1,150,000,000 (2011: Nil) for nil consideration. As at December 31, 2012, the loans were drawn down to the extent of RMB565,000,000 (note 27).

During the year ended December 31, 2012, Wison Investment executed a guarantee to a bank for a credit facility granted to the Group of RMB700,000,000 at nil consideration. The guarantee was released.

(viii) On July 5, 2011, the Company and eleven investors ("Pre-IPO Investors") entered into eight separate subscription agreements (the "Subscription Agreements"). Pursuant to the Subscription Agreements, Wison Holding agreed to issue exchangeable bonds (the "Bonds") to the Pre-IPO Investors for an aggregate consideration of US$95,000,000. The Bonds are exchangeable for ordinary shares of the Company held by Wison Investment. The maturity date of the Bonds is January 6, 2013. The Group's companies are guarantors to the Bonds. Completion of the Subscription Agreements took place on July 6, 2011.

On July 5, 2011, Wison Investment entered into a facility agreement (the "Facility Agreement") with three lenders, including BOCOM International Holdings Company Limited, Credit Suisse AG and United Overseas Bank Limited (the "Lenders") and pursuant to which the Lenders provided, among other things, a US$100,000,000 loan facility funded by each of the Lenders severally, at a fixed rate of 9.0% per annum. As a term of the Facility Agreement, Wison Investment must ensure that all amounts borrowed under the facility are used to repay certain loans and payables owed by Wison Holding and its subsidiaries to the Group. The obligations of Wison Investment under the Facility Agreement are also guaranteed jointly and severally by the Company, Wison Technology, Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)) and Wison Singapore.

On July 6, 2011, the Company, Wison Technology and Wison Energy (HK) granted security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Pre-IPO Investors and Lenders.

On July 6, 2011, the Company, Wison Technology, Wison Engery (HK) and Wison Singapore granted security for the benefit of the Pre-IPO Investors and Lenders over all their assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou.).

On July 6, 2011, the Group granted security for the benefit of the Pre-IPO Investors and Lenders over all its shares in Wison Technology, Wison Engery (HK) and Wison Singapore.

Wison Holding entered into agreements with China Huadian Hongkong Company Limited ("Huadian") on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse AG and United Overseas Bank Limited on June 4, 2012 to redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse AG and United Overseas Bank Limited. On September 20, 2012, the Bonds held by the remaining Pre-IPO Investors were exchanged into the shares pursuant to the terms and conditions of the Bonds and the remaining Pre-IPO Investors became the shareholders of the Company.

Notes to Financial Statements

Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(b) Non-recurring: (continued)

(viii) (continued)

On September 20, 2012, the Bonds held by certain Pre-IPO Investors were exchanged into 649 shares of HK$0.10 each. As set out in Appendix IV, section headed "Summary of Pre-IPO Investment" of the Company's Prospectus dated December 13, 2012, these Pre-IPO Investors had already exchanged the Bonds into shares of the Company and were still entitled to the First Put Option and the Third Put Option (as defined in the Majority Shareholder Undertakings dated July 5, 2011). Accordingly, the Group continues to provide guarantee in relation to the First Put Option and the Third Put Option under the Majority Shareholder Undertakings for those Bonds exchanged.

On December 11, 2012, BOCOM International Holdings Company Limited agreed to extend the final repayment date for its portion of the principal amount under the Facility Agreement, being US$64,000,000, to December 31, 2013.

As at December 31, 2012. the loan of US$100 million under Facility Agreement was fully settled, therefore, the related guarantees or securities granted by the Company and Wison Technology, Wison Energy (HK) and Wison Singapore to the Pre-IPO Investors and Lenders has been released.

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

(x) On November 30, 2012, Wison Holding and the Company entered into an administrative services agreement (the "Administrative Services Agreement"), for which Wison Holding agreed to provide general legal services and legal consultation, information system management services, data management services, back-up services and other related support services to the Group that are charged by Wison Holding based on the cost involved and the portion of actual time incurred by the staff of Wison Holding towards the provision of such services.

Notes to Financial Statements

Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(c) Balances with related parties:

Group

	2012 **RMB'000**	2011 RMB'000
Due from a related company:		
Wison Telecommunication	**1,022**	172
Due from fellow subsidiaries:		
Zerun Biotech	—	2,290
惠生（中國）投資有限公司 ("Wison (China) Investment")	—	128
Wison Nantong	—	669
	—	3,087
Due from the ultimate holding company:		
Wison Holding	**87**	89
Due to a related company:		
Jiangsu Xinhua	—	(78)
Due to an associate:		
Henan Chuangsite	**(630)**	(630)

Mr. Hua Bangsong is a director and the beneficial shareholder of the Company.

Jiangsu Xinhua is the Chinese joint venture partner of Wison Engineering. Wison Telecommunication is a subsidiary of Jiangsu Xinhua.

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

The amounts with fellow subsidiaries, a related company and the ultimate holding company are presented on a net basis in the consolidated statements of financial position.

Notes to Financial Statements

Year ended December 31, 2012

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(c) Balances with related parties: (continued)

Company

	2012 **RMB'000**	2011 RMB'000
Due from a subsidiary:		
Wison Technology	**61,474**	62,323
Due to subsidiaries:		
Wison Engineering	**(28,051)**	(21,458)
Wison Yangzhou	**(2)**	(2)
Wison Energy (HK)	**(221,809)**	(221,895)
	(249,862)	(243,355)

The amounts with subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

34. INVESTMENT IN SUBSIDIARIES

	2012 **RMB'000**	2011 RMB'000
Unlisted shares, at cost	**1**	1

Notes to Financial Statements

Year ended December 31, 2012

34. INVESTMENT IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment	Nominal value of issued and paid-up capital	Percentage of equity interest attributable to the Group
Directly held:			
Wison Technology (a)*	British Virgin Islands	United States dollar ("US$")1	100%
Indirectly held:			
Wison Energy (HK)(b)*	Hong Kong	HK$1,000,000	100%
Wison Singapore (c)	Singapore	Singapore dollar ("SG$") 100,000	100%
Wison Engineering (d)*	People's Republic of China ("PRC")	RMB300,600,000	75%
Wison Yangzhou (e)*	PRC	US$13,000,000	100%

(a) As at the date of approval of these financial statements, the authorised share capital of Wison Technology was US$50,000.

Wison Technology is incorporated in the British Virgin Islands as an investment holding company.

(b) As at the date of approval of these financial statements, the registered capital of Wison Energy (HK) has been fully paid up.

Wison Energy (HK) is incorporated in Hong Kong and acts principally as an investment holding company.

(c) As at the date of approval of these financial statements, the registered capital of Wison Singapore has been fully paid up.

Wison Singapore was incorporated in Singapore. Wison Singapore has been dormant since incorporation.

Notes to Financial Statements

Year ended December 31, 2012

34. INVESTMENT IN SUBSIDIARIES (continued)

(d) As at the date of approval of these financial statements, the registered capital of Wison Engineering has been fully paid up.

Wison Engineering is a Sino-foreign co-operative enterprise established in the PRC. The principal activities of Wison Engineering are the provision of solutions for renovating existing ethylene cracking furnaces and design building new ethylene cracking furnaces, and the provision of other chemical engineering processing system solutions in the Mainland China. Wison Engineering is treated as a subsidiary because the Company has unilateral control over Wison Engineering. As at December 31, 2012, the registered capital of Wison Engineering was fully paid up. The joint venture partners' profit sharing ratios of Wison Engineering are not in proportion to their equity ratios but are as defined in the joint venture contract and other relevant documents. Pursuant to the joint venture contract, Wison Energy (HK) and the joint venture partner share the profits of Wison Engineering at a 90%: 10% ratio.

(e) As at the date of approval of these financial statements, the registered capital of Wison Yangzhou has been fully paid up.

Wison Yangzhou is a wholly-foreign-owned enterprise established in the PRC. The registered capital of Wison Yangzhou is US$13,000,000. As at December 31, 2012, the registered capital of Wison Yangzhou was fully paid up. The principal activities of Wison Yangzhou are the manufacture and sale of heat resistant alloy pipes and materials for cracking furnaces.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The amount due from and to subsidiaries included in the Company's current assets and current liabilities of RMB61,474,000 (2011: RMB62,323,000) and RMB249,862,000 (2011: RMB243,355,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Notes to Financial Statements

Year ended December 31, 2012

35. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms of three years.

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

	2012	2011
	RMB'000	RMB'000
Within one year	**5,678**	6,511
In the second to fifth years, inclusive	**—**	5,848
	5,678	12,359

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years/for a term of five years.

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

	2012	2011
	RMB'000	RMB'000
Within one year	**19,915**	16,413
In the second to fifth years, inclusive	**12,037**	13,752
	31,952	30,165

Notes to Financial Statements

Year ended December 31, 2012

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2012	2011
	RMB'000	RMB'000
Contracted, but not provided:		
Equipment and materials	**1,538,159**	637,329
Land and buildings	**224,753**	135,052
	1,762,912	772,381

37. CONTINGENT LIABILITIES

On November 20, 2008, Wison Technology entered into an agreement with Wison Energy (HK), its wholly-owned subsidiary, to transfer its entire 75% equity interest in Wison Engineering to Wison Energy (HK). This equity transfer was approved by the Shanghai Commerce Bureau on December 25, 2008 and was registered with the Shanghai Administration for Industry and Commerce on December 29, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of 1 share in Wison Energy (HK) to Wison Technology.

On November 20, 2008, Wison Technology entered into an agreement with Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou to Wison Energy (HK). This equity transfer was approved by the Yangzhou Foreign Trade and Economic Cooperation Bureau on December 3, 2008 and was registered with the Jiangsu Administration for Industry and Commerce on December 17, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of 1 share in Wison Energy (HK) to Wison Technology.

Notes to Financial Statements

Year ended December 31, 2012

37. CONTINGENT LIABILITIES (continued)

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

In 2010, the Group submitted its application for the above equity transfer transactions to qualify for the special tax treatment under Circular No. 59 to the relevant tax bureau. To date, the relevant tax bureau has not reverted on this application. In December 2011, the Group computed the tax liability in relation to the transfer of equity interests in Wison Engineering based on the relevant PRC tax regulations and submitted a payment of RMB10.4 million to the relevant tax bureau. As at December 31, 2011, the Group assessed and computed the tax liability in relation to the transfer of equity interests in Wison Yangzhou based on the relevant PRC tax regulations and made a provision of RMB4.4 million accordingly which has been considered by the Company's Directors to be adequate. In the opinion of the Directors, the PRC tax authorities may not accept the Group's application the Group may fail to obtain the preferential tax treatment under Circular No. 59 and this could result in additional tax to be paid.

Notes to Financial Statements

Year ended December 31, 2012

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

December 31, 2012

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	161,214	161,214
Financial assets included in prepayments, deposits and other receivables (note 23)	124,562	124,562
Due from a related company	1,022	1,022
Due from the ultimate holding company	87	87
Pledged bank balances and time deposits	471,290	471,290
Unpledged cash and bank balances	1,745,951	1,745,951
	2,504,126	2,504,126

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	2,611,976	2,611,976
Financial liabilities included in other payables, advance from customers and accruals (note 26)	197,410	197,410
Due to an associate	630	630
Interest-bearing bank borrowings	2,555,472	2,555,472
Finance lease payables	619	619
	5,366,107	5,366,107

Notes to Financial Statements

Year ended December 31, 2012

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

December 31, 2011

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	163,775	163,775
Financial assets included in prepayments, deposits and other receivables (note 23)	27,994	27,994
Due from a related company	172	172
Due from fellow subsidiaries	3,087	3,087
Due from the ultimate holding company	89	89
Pledged bank balances and time deposits	508,183	508,183
Unpledged cash and bank balances	639,870	639,870
	1,343,170	1,343,170

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	1,508,147	1,508,147
Financial liabilities included in other payables, advance from customers and accruals (note 26)	175,170	175,170
Due to a related company	78	78
Due to an associate	630	630
Interest-bearing bank borrowings	1,591,146	1,591,146
Finance lease payables	1,189	1,189
	3,276,360	3,276,360

Notes to Financial Statements

Year ended December 31, 2012

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

Loans and receivables	2012 RMB'000	2011 RMB'000
Due from a subsidiary	**61,474**	62,323
Dividend receivables	**438,609**	162,003
Cash and cash equivalents	**1,029,153**	436
	1,529,236	224,762

Financial liabilities

Financial liabilities at amortised cost	2012 RMB'000	2011 RMB'000
Financial liabilities included in other payables, advance from customers and accruals (note 26)	**8,917**	12,633
Due to subsidiaries	**249,862**	243,355
	258,779	255,988

39. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair values are not based on observable market data (unobservable inputs)

As at December 31, 2012, the Group had no financial instruments measured at fair value.

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist mainly of cash and bank balances, pledged bank balances and time deposits, amounts with a related company, amounts with fellow subsidiaries and an amount due from the ultimate holding company, an amount due to an associate, interest-bearing bank and other borrowings and finance lease payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings and finance lease payables set out in notes 27 and 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of variable rate bank and other borrowings.

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended December 31, 2012		
— RMB denominated loans	**20**	**(4,532)**
— RMB denominated loans	**(20)**	**4,532**
Year ended December 31, 2011		
— US$ denominated loans	20	(504)
— RMB denominated loans	20	(2,678)
— US$ denominated loans	(20)	504
— RMB denominated loans	(20)	2,678

(b) Foreign currency risk

As a result of the US$ denominated loans and foreign currency bank balances, the Group's statement of financial position can be affected significantly by movements in the exchange rates of US$, Euro dollars ("EUR$"), HK$ and Saudi Riyal dollar ("SAR$") against RMB.

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of US$/EUR$/HK$/SAR$ against RMB, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of US$/EUR$/HK$/SAR$ denominated loans and other monetary assets and liabilities).

	Increase/ decrease in HK$/US$/ EUR$/SAR$ rate	Profit before tax
		RMB'000
Year ended December 31, 2012	**-5%**	**60,234**
	+5%	**(60,234)**
Year ended December 31, 2011	-5%	(9,099)
	+5%	9,099

(c) Credit risk

The Group's bank balances are maintained mainly with state-owned banks in Mainland China.

The carrying amounts of the trade and bills receivables, other receivables, an amount due from the ultimate holding company, amounts due from a related company and amounts due from fellow subsidiaries included in the financial statements represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of their instruments.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

In addition to the Group's exposure to credit risk in relation to the Group's financial assets, the Group is exposed to credit risk from guarantees which the Group has provided.

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Pursuant to the Subscription Agreements and the Facility Agreement dated July 5, 2011, the Company, Wison Technology, Wison Energy (HK) and Wison Singapore provided guarantees to the Pre-IPO Investors and Lenders to secure the obligations of the parties thereto upon the occurrence of an event of default under the Subscription Agreements and the Facility agreement (note 33).

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings, trade and bills payable, other payables and finance lease payables, an amount due to a related company, an amount due to an associate and an amount due to a related party. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2012					
Interest-bearing bank and other borrowings	—	840,065	1,642,081	395,767	2,877,913
Trade and bills payables	—	2,611,976	—	—	2,611,976
Other payables and accruals	—	197,410	—	—	197,410
Finance lease payables	—	74	213	394	681
Due to an associate	630	—	—	—	630

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2011					
Interest-bearing bank and other borrowings	—	419,579	1,025,171	201,176	1,645,926
Trade and bills payables	—	1,508,147	—	—	1,508,147
Other payables and accruals	—	175,170	—	—	175,170
Finance lease payables	—	186	371	753	1,310
Due to a related company	78	—	—	—	78
Due to an associate	630	—	—	—	630
Guarantees given to the Investors in connection with the Exchangeable Bonds Agreement and the Facility Agreement	—	—	—	1,493,313	1,493,313

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to shareholders or issue new shares.

Notes to Financial Statements

Year ended December 31, 2012

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings and finance lease payables. The gearing ratios as at the end of the reporting period were as follows:

	2012 **RMB'000**	2011 RMB'000
Interest-bearing bank borrowings	**2,555,472**	1,591,146
Finance lease payables	**619**	1,189
Total debt	**2,556,091**	1,592,335
Total equity	**2,052,190**	804,423
Gearing ratio	**125%**	198%

41. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2011 and 2012, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of RMB506,000 and nil, respectively.

42. EVENTS AFTER THE REPORTING PERIOD

On January 22, 2013, the Company further issued 64,622,000 ordinary shares of HK$0.1 each at a subscription price of HK$2.79 per share pursuant to the exercise of over-allotment options on January 22, 2013, resulting in a share premium of RMB141,048,000, representing the difference between the subscription price and nominal value of the Company's ordinary shares before netting off share issue cost.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 27, 2013.