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# WISON ENGINEERING SERVICES CO. LTD.
# 惠生工程技術服務有限公司

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

**(Stock Code: 2236)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

**HIGHLIGHTS:**

- Our revenue for the year ended 31 December 2017 amounted to approximately RMB4,124,790,000, representing an increase of 35.6% from approximately RMB3,041,877,000 recorded in 2016.
- Our gross profit for the year ended 31 December 2017 amounted to approximately RMB861,158,000, representing a decrease of 7.5% from approximately RMB931,233,000 recorded in 2016.
- Our net profit for the year ended 31 December 2017 amounted to approximately RMB165,719,000, representing an increase of 640.0% from approximately RMB22,395,000 (restated) recorded in 2016.
- Profit attributable to owners of the parent for the year ended 31 December 2017 amounted to approximately RMB138,306,000, representing an increase of 811.2% from approximately RMB15,179,000 (restated) recorded in 2016.

## BUSINESS OVERVIEW

### Overall Review

The year 2017 marked the fifth anniversary of the listing of Wison Engineering Services Co. Ltd. (the "Company", together with its subsidiaries, the "Group") on The Stock Exchange of Hong Kong Limited. The Group achieved great success during the year, winning orders as well as the recognition of the industry and praise from customers, which helped us to be fully prepared for the next five years. As the global economy gradually recovered, the prices of major chemical products remained high, presenting the entire industry with a rare development opportunity. Capitalizing on its industry-leading technological advantages and excellent project management and execution capabilities, the Group continued to drive technical innovations and actively expanded in the market to return to the track of rapid development. At the second session of the Procurement Conference of China Petroleum & Chemical Industry, the China Petroleum & Chemical Industry Federation announced that the Group had won the title of "Top 100 Suppliers of the Petroleum & Chemical Industry", and was named "Top Ten Enterprises for Engineering Services". Such rewards were the approval and praise of the industry for the Group's professional engineering services over the past two decades.

### Financial Highlights

For the year ended 31 December 2017 (the "Year under Review"), revenue of the Group amounted to approximately RMB4,124.8 million (2016: approximately RMB3,041.9 million). The increase in revenue as compared with the previous year was mainly because new projects obtained by the Group in previous years and the current year entered the principal construction phase and proceeded smoothly, leading to the increase in revenue recognized in the Year under Review. The gross profit amounted to approximately RMB861.2 million (2016 (restated): approximately RMB931.2 million). Profit attributable to owners of the parent amounted to approximately RMB138.3 million (2016 (restated): approximately RMB15.2 million). The increase in profit attributable to owners of the parent was mainly attributable to impairment provision made by the Group during the same period last year for amounts due from contract customers in respect of the projects in previous years. During the Year under Review, the Group secured new contracts amounting to approximately RMB3,118.6 million (2016: RMB2,152.5 million) (net of estimated value added tax, same hereinafter), of which petrochemicals business and coal-to-chemicals business accounted for 23.5% and 75.9%, respectively. 38 engineering, consulting and technical services and engineering, procurement and construction ("EPC") contracts were newly signed in aggregate. As at the end of the Year under Review, backlog value (net of estimated value added tax, same hereinafter) was approximately RMB9,419.6 million (as at the end of 2016: approximately RMB10,705.5 million).

Certain comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2016 and the consolidated statement of financial position as at 31 December 2016 have been restated to correct errors in the Group's consolidated financial statements for the year ended 31 December 2016. For details of such correction of prior year errors and the impact of the restatement made in respect of the errors, please refer to note 2.2 to the Group's consolidated financial statements set out in this announcement.

## Business and Operations Review

### *International Markets:*

The Group is dedicated to implementing its internationalization strategy and actively expands in the overseas market. At present, it has established a management system and an execution team that meet the requirements for execution of international projects and a resource network for overseas procurement and construction.

- *Middle East:*

  During the Year under Review, the Group continued its steady operation in the Middle East market, winning customers with quality and earning reputation with integrity. Of the five projects carried out during the year, four have achieved mechanical completion, including one boiler project and three debottlenecking projects. It is worth mentioning that the EO/EG debottlenecking project carried out in the United Arab Emirates achieved mechanical completion 5 days ahead of the contract period. The typical construction period of such projects is 23 months internationally. For this project, Wison Engineering not only promised to complete the project within a target construction period of 19 months, but also managed to deliver the project 5 days ahead of schedule with high quality, showcasing its excellent project management and execution ability.

- *South America:*

  In South America, another important market of the Group, we have established good cooperative relations with PDVSA of Venezuela and handled the project progress and various issues accordingly. The Group achieved a total of 10 million safety manhours, setting once again a good safety record for the Group's execution of large-scale overseas projects and winning praise from project owners with excellent project execution performance. During the Year under Review, the resident team not only started business expansion in different business of PDVSA, but also conducted market research in Argentina, Brazil and other countries around Venezuela. The Group focused on projects of which we have a high probability of winning the bid. The team has moved into the implementation phase as planned.

- *North America:*

  The non-wholly owned subsidiary of the Company entered into an engineering, procurement, fabrication and construction ("EPFC") contract in respect of a Bid Section of a Low Density Polyethylene ("LDPE") project in Texas, America. This is Wison Engineering's first contract awarded in the American market, representing a new milestone in the implementation of its internationalization strategy. Wison Engineering will be responsible for modularization engineering, fabrication, transportation and on-site installation for the project. After this project, the Group was awarded a construction contract for modularized design and supply, bulk material procurement and on-site construction and installation for another petrochemical project. The orders continuously received in North America are recognition from industry about the Company's modularized design and fabrication concept.

- *Far East and Central Asia:*

  Countries in Far East and Central Asia, led by Russia, are important countries along "One Belt and One Road" who possess abundant oil and natural gas resources. With the recovery of the industry, many projects have moved from the planning stage to the implementation stage, and the markets are full of opportunities. We have conducted in-depth discussions with our customers according to the plan through two complementary ways, i.e. independent bidding and cooperating with internationally renowned companies.

- *Other regions:*

  During the Year under Review, apart from the continuous and intensive exploration in the above regions, the Group appointed personnel in Africa, Southeast Asia and other regions to actively seek business opportunities on an on-going basis and has made breakthroughs in the markets of South Africa and Singapore. It has achieved full-coverage of markets in the countries along "One Belt and One Road".

***Domestic Market:***

The Company's technical advantages in the domestic market have been widely recognized by the owners. During the Year under Review, the Company carried out 18 projects in the domestic market, five of which have completed handover. Meanwhile, a number of projects are being negotiated. During the Year under Review, main projects carried out included:

- The Company undertook the ethylene cracking equipment engineering design project with a capacity of 1.0 mt/a for Wanhua Chemical Group Co., Ltd.'s ("Wanhua Chemical") polyurethane industry chain integration project. For this project, the Company independently completed the general design, basic design, and project detail design. As a regular client of the Company, Wanhua Chemical approved of the Company's capabilities for design service and its strength in technical research and development and wished to further enhance the communication and exchange between two companies through this project so as to draw on each other's strengths, thereby becoming a leading force in the chemical market in China.

- Wison-Shell Bottom Quench Coal Gasification Technology (one set feedstock capacity of 1,500 t/d) won the contract of Phase II 900kt/a Methanol Plant of the 1.5mt/a Methanol Project by Shaanxi Changqing Energy & Chemical Co., Ltd. ("Shaanxi Changqing") and Xuzhou Coal Mining Group, marking the third time that this technology had been applied anywhere in the world. Earlier, Wison Engineering had secured the EPC contract of Phase I 600kt/a Methanol Plant.

- During the Year under Review, the metallocene PAO (mPAO) demonstration plant of Shanxi Lu'an Mining (Group) Company Limited ("Lu'an Group"), the first one in China, for which a subsidiary of the Company was engaged in preparation of the project feasibility study report, process package planning, scheme design, and detail design, commenced construction, the implementation of which filled in the mPAO market gap in China. The designed production capacity was 3,000 tons per year. In addition to the mPAO demonstration plant, at the end of the Year under Review, the 1.8 mt/a high-sulfur coal liquefaction and heating and power integration demonstration project of Lu'an Group, for which Wison Engineering acted as one of the general contractors, successfully went through the overall process flow and produced the first barrel of qualified blended diesel oil, entering a stable production stage with enhanced efficiency. This indicated that Wison Engineering had helped Lu'an Group establish the world's largest independent gasifier and purification plant, achieved through a technological breakthrough in using high-ash melting points and low silica-alumina coal in a large-scale, pulverized coal gasifier. Moreover, the 600kt/a bottom-reduction oil heterogeneous dewaxing project of Lu'an Group for which Wison Engineering acted as the EPC general contractor has entered the pipe installation stage; the 300kt/a olefin separation project of Lu'an Group for which Wison Engineering acted as the EPC general contractor has entered the construction stage; the 40kt/a synthetic base oil and 20kt/a environmental solvent oil project of Lu'an Group Nake designed by the Group has been successfully launched and in operation for 2 years, receiving repeated acclaim from the project owner. Breakthroughs made in the aforementioned projects extended our business beyond coal-to-oil products and into downstream high value-added products. They played a critical role in the Group's implementation of its five-year strategic plan.

- The Group was awarded an engineering management, procurement and construction ("EM&PC") contract of a 600kt/a methanol-to-olefins (MTO) plant and a 100kt/a butadiene plant (collectively, the "Projects") by Nanjing Chengzhi Yongqing Energy Technology Co., Ltd. Prior to entering into the EM&PC Contract, Wison Engineering had obtained the engineering contract for the Projects and the technology licensing and process design package contracts in respect of the olefin separation unit of the MTO plant and the butadiene plant. The Projects is scheduled to be delivered on 30 December 2018. The 600kt/a MTO plant utilizes an integrated solution that takes advantage of Honeywell UOP's advanced process technologies and Wison Engineering's high recovery olefin separation technology. "Pre-cutting + Oil Absorption" technology is the core of Wison Engineering's MTO olefin separation technology, and this is the 11th time for this technology to have an industrial application. The 100kt/a butadiene plant will fully utilize Wison Engineering's proprietary technology of "Oxidative Dehydrogenation of Butene to Butadiene (ODH)", which is the second time this technology has had an industrial application.

- The Cracking Furnace Unit in 400kt/a Light Oil Processing and Utilization Device for Yan'an Kerosene Oil-Gas Comprehensive Utilization Project fully completed the engineering construction tasks within the scope of the contract during the Year under Review, smoothly achieving a hand-over at high standards. In addition, Wison Engineering obtained outstanding results in such aspects as safety and quality and on several occasions was commended by the owner. For two consecutive years, Wison Engineering was named "Advanced Corporation in Quality Month".

In addition, during the Year under Review, two projects undertaken by the Company received awards from China Association of Construction Enterprise Management. One was the extension of 800kt/a Ethylene Project for PetroChina Fushun Petrochemical Company for which Wision Engineering acted as the PC general contractor, winning "2016-2017 National Quality Engineering Award", and the other was Wison Engineering's EPC-contracted 300kt/a polyethylene plant and PE/PP packaging warehouse project, part of the 1.8mt/a Methanol and 700kt/a Polyolefin Project owned by Pucheng Clean Energy Chemical Co., Ltd., winning the first prize for "2017 Excellent Design of Engineering Construction Projects".

***Technology Research and Development:***

Promoting "energy saving and consumption reduction" and developing clean energy technologies are not only the foundation on which the Group's survival depends, but also a commitment to be honoured by a responsible company. During the Year under Review, the Group continued to ramp up its efforts in technical research and development. Particularly, to meet the requirements of energy saving and emission reduction, all subjects of research and development centred on actual applications in projects, laying a good foundation for seizing market shares. Awards and orders showed the recognition received by the Group for its persistent promotion of clean energy technologies in the long run.

- During the Year under Review, the project of "Development and Engineering Application of Methanol-to-Olefin (MTO) Separation Technology" jointly undertaken by the Group, Nanjing Chengzhi Yongqing Energy Technology Co., Ltd. and Shandong Yangmei Hengtong Chemical Co., Ltd. ("Yangmei Hengtong") was awarded the second prize of Scientific and Technological Process from China Petroleum and Chemical Industry Association. The technology was the MTO separation technology in China with the largest market share, reaching an internationally advanced level. The technology has become a recommended process in the "Coal-to-Olefins Upgrade Demonstration Technology Scheme During the Twelfth Five-Year Period" developed by China National Petroleum & Chemical Planning Institute. Also, in the performance test by Yangmei Hengtong for the olefin separation unit of MTO devices, product recovery rate of ethylene and propylene reached top standard in the industry globally. The technology has realized 11 times of technology transfer, and four sets of devices have been put into operation. At present, the technology is widely approved in China. We believe that it will help the Group in future to actively expand its overseas businesses, especially towards regions along "One Belt and One Road", which will promote the development of the MTO industry throughout the world.

- The “Development and Industrial Application of Oxidative Dehydrogenation of Butene to Butadiene (ODH) Technology and Catalyst” was appraised for scientific and technological results by the China Petroleum and Chemical Industry Federation, which determined that the result reached an internationally advanced level, and the yield of the butene oxidation and dehydrogenation new catalyst products reached an internationally superior level. In recent years, as more light aromatics were used as the raw materials for ethylene cracking, significantly less butadiene was produced as a byproduct. Moreover, a large amount of C4 fraction was not used in a high value-added manner in China. Through optimization of the catalyst and technology process, Oxidative Dehydrogenation of Butene to Butadiene can increase the usage rate of C4 fraction while resolving the conflict between reduced production of butadiene globally and increasing demands for butadiene, therefore it has significant social benefits. One set of the technology has been successfully commercialized, and another one has been sub-licensed. We have won biddings of two companies in technology selection and preliminary consultation, and are conducting technical communication with a number of other companies at home and abroad. Therefore, the market application prospect of the technology is promising.

- During the year, Shanghai Intellectual Property Administration, in accordance with the Measures for Determination and Management of Pilot Enterprises and Institutions for Patent-Related Works of Shanghai (Hu Zhi Ju (2017) No.62), selected the Group as a pilot enterprise for patent-related work for the year 2017 and published the selection results on its website. Being selected as a pilot enterprise for patent-related works had positive effects on the technical development and innovation of Wison Engineering. It will continue to boost the Group’s capabilities in the creation, application, protection, and management of patents and provide strong support for the Company in such areas as standardization of intellectual property management, establishment of patent strategy, patent library and alert platform, training of patent talents, and patent insurance.

***Organizational Adjustments and Talent Strategy***

During the year, in order to promote efficiency, the Group has made in-depth optimization and adjustments to its organizations. One of the important measures was to allow more young people to join the management team to respond to the fast iteration of industry’s information, technology, process, and management models. Meanwhile, we adopted multiple channels to carry out the recruitment work such as employee recommendation and social recruitment. In particular, we stepped up efforts in recruiting talents in technology research and development, process design, and quality and safety management to maintain the Group’s dominant position in the main business areas. In addition, in alignment with the Group’s internationalization strategy, we have cooperated with a number of well-known overseas headhunting companies and attracted a group of highly-skilled talents familiar with the situation in overseas key business areas. At the end of the Year under Review, the number employees of the Group reached 1,339. Being optimistic about the prospects of the industry is the reason behind the Company’s active recruitment of talents. Providing a platform for employees to show their talent and enhancing their value is a commitment of the Company to all the employees. At the time of rapid expansion in personnel, the Group did not slacken its efforts in providing various types of training program, ensuring the steady and increasing business volume.

Wison Engineering has obtained two newly added qualifications comprising "Water Pollution Prevention and Control Engineering (Class Two)" and "Solid Waste Treatment Engineering (Class Two)" as approved by the Shanghai Housing and Urban-Rural Development Management Committee* (上海市住房和城鄉建設管理委員會). Please refer to the Company's announcement dated 4 January 2018 for details.

Wison Petrochemicals (NA) LLC, an indirect wholly-owned subsidiary of the Company, as contractor, was awarded a construction contract for the modularisation of the design and supply processes, bulk material procurement and on-site construction and installation for a petrochemical project in Texas, United States of America. The total consideration of this contract is approximately US$360 million. Please refer to the Company's announcement dated 1 March 2018 for details.

***Outlook***

The 20th anniversary of the Group witnessed the recovery of the industry. During the Year under Review, we took the opportunity to set our corporate development strategy for the upcoming 5 years which included: continuing our development strategy of consolidating the domestic market and exploring overseas markets by focusing on the energy and chemical industry and solidifying our foundation; charting a path of sustainable development for energy by relying on our existing energy business and carrying out digital transformation to build up scientific and digital strength of Wison; offsetting periodic fluctuation of the industry by focusing on differentiated services and expanding into such fields as municipal administration, power, and environmental protection to achieve coordinated development in multiple industries; meanwhile, the Company will enhance the research and development in the petroleum and petrochemicals industry to secure its advantage in the industry.

- *Consolidating the Domestic Market and Exploring Overseas Markets*

  While consolidating our advantages in the domestic market, the Company will further explore overseas markets. We will proactively build up international cooperation platforms to find new drivers of coordinated development. To this end, the Company will strengthen its capabilities in preliminary planning, quoting, execution, and resource integration. With 20 years of industrious development, the Company now has operations in 19 provinces and cities in China, which will become important exemplary projects for the Company to expand its businesses in China. As at the end of the Year under Review, the Company had presence in 12 foreign countries and regions and has secured business contracts in 7 countries. In the future, we will continue to make diligent and prudent efforts in countries and regions where we have won orders to create overseas exemplary projects on an ongoing basis, thereby providing convincing proof of our strength to bring in new orders. By providing differentiated products catering to the needs of local customers, we aim to grasp shares in international markets. We have noted that countries along "One Belt and One Road" are economically the most active regions in the world. With two-thirds of the world's population, their energy industries and infrastructure development hold enormous potential. The Company intends to take this as an entry point to achieve global presence. In future, we will consolidate our strength in China while

* *for identification purposes only*

intensively exploring markets in the Middle East, North America, South America, Africa, and South-East Asia, forming a "1+5" business layout.

- *Digital Transformation*

  During the Year under Review, Wison Engineering introduced the development concept of "Digital Wison". In our newly founded Digitalization Innovation Centre, we performed modelling and optimization for the path from the raw material market to product market using big data and artificial intelligent, thereby being able to provide owners with product path selection and optimization for new projects, creating a new industry eco-system of energy and chemical engineering. Wison will take this opportunity to achieve a large leap in its management capability. The introduction of the digital mode served as a reshuffle for the industry. The Company is well-positioned in terms of capital and talent reserve to usher in the digital transformation. Improvement in capabilities for converting patent technologies, constructing intelligent plants, and promoting applications will help the Company achieve the important strategic goal of overtaking its competitors.

- *Coordinated Development of Multi-Industry*

  Multi-industry collaboration is not a blind cross-industry development. It is the extension into upstream and downstream sectors building on Wison Engineering's dominance in the traditional field. Upstream, we venture into services in the upstream of the petrochemical industry, and downstream, we reach into engineering plastics and high-end chemicals. As clean energy is the trend of future development, we will quicken our pace of development in the natural gas and natural gas chemical industry. From our experiences, development in a single industry is subject to the industry cycles. To avoid the impact of cyclical economic, the Company will expand its business into municipal, power and environmental businesses to achieve coordinated development in multiple areas. In the next five years, the Company will enhance bidding efforts in these areas and divert various internal resources to these types of business. In addition, we will focus on the cooperation with renowned organizations from within the country and overseas in related fields in the future.

- *Increased Effort in Research and Development in Petroleum and Petrochemical Industry*

  Guided by the market-oriented philosophy, during the year, the Company selected experts from such fields as olefin and petroleum refining to establish the Product Technology Centre, in an attempt to ramp up its efforts in research and development in the petroleum and chemical industry. This enabled us to combine the strength of renowned experts in the energy industry from both China and other countries and carry out comprehensive cooperation with famed international patent licenser, further strengthening our capabilities in applying product technologies and compound technologies; with clients' needs in mind, we provide expert services and integrated solutions covering the entire industry chain, from preliminary consultation, planning, and product solution of projects, to selection and application of technologies, in order to enhance clients' service experience and create values for clients that exceed their expectations.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2017. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2017*
*(Expressed in RMB)*

| | Notes | 2017 RMB'000 | 2016 RMB'000 (Restated) |
|---|---|---|---|
| **REVENUE** | 4 | **4,124,790** | 3,041,877 |
| Cost of sales | | **(3,263,632)** | (2,110,644) |
| **GROSS PROFIT** | | **861,158** | 931,233 |
| Other income and gains | 4 | **188,794** | 590,017 |
| Selling and marketing expenses | | **(68,889)** | (60,616) |
| Administrative expenses | | **(373,203)** | (208,017) |
| Other expenses | | **(241,354)** | (848,635) |
| Finance costs | 5 | **(136,160)** | (283,228) |
| Share of profits or losses of an associate | | **(1,222)** | 463 |
| **PROFIT BEFORE TAX** | 6 | **229,124** | 121,217 |
| Income tax | 7 | **(63,405)** | (98,822) |
| **PROFIT FOR THE YEAR** | | **165,719** | 22,395 |
| Attributable to: | | | |
| Owners of the parent | | **138,306** | 15,179 |
| Non-controlling interests | | **27,413** | 7,216 |
| | | **165,719** | 22,395 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| — Basic | | **RMB3.40 cents** | RMB0.37 cents |
| — Diluted | | **RMB3.38 cents** | RMB0.37 cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31 December 2017*
*(Expressed in RMB)*

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| **PROFIT FOR THE YEAR** | **165,719** | 22,395 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(33,553)** | 21,159 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **(33,553)** | 21,159 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | **(33,553)** | 21,159 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **132,166** | 43,554 |
| Attributable to: | | |
| Owners of the parent | **108,186** | 36,338 |
| Non-controlling interests | **23,980** | 7,216 |
| | **132,166** | 43,554 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*
*(Expressed in RMB)*

| | Notes | **2017** **RMB'000** | 2016 RMB'000 (Restated) | 2015 RMB'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | | **917,334** | 983,635 | 1,028,287 |
| Investment properties | | **12,396** | 12,976 | 13,556 |
| Prepaid land lease payments | | **152,948** | 159,114 | 163,272 |
| Goodwill | | **15,752** | 15,752 | 15,752 |
| Other intangible assets | | **4,364** | 7,048 | 10,372 |
| Investment in an associate | | **1,278** | 2,500 | 2,037 |
| Long-term prepayments | | **654** | 13,996 | 128,042 |
| Deferred tax assets | | **11,986** | 825 | – |
| Total non-current assets | | **1,116,712** | 1,195,846 | 1,361,318 |
| **CURRENT ASSETS** | | | | |
| Inventories | | **24,515** | 20,241 | 177,581 |
| Gross amounts due from contract customers | *10* | **2,051,469** | 3,789,290 | 4,033,219 |
| Trade receivables | *11* | **1,356,157** | 145,326 | 185,603 |
| Bills receivable | | **1,202,274** | 194,914 | 84,033 |
| Due from a related company | | **–** | 256 | – |
| Due from fellow subsidiaries | | **34,277** | 4,377 | 27 |
| Due from the ultimate holding company | | **–** | – | 87 |
| Prepayments, deposits and other receivables | | **335,671** | 562,632 | 656,408 |
| Pledged bank balances and time deposits | *12* | **542,269** | 1,106,803 | 1,257,417 |
| Cash and bank balances | *12* | **916,153** | 701,000 | 1,253,436 |
| | | **6,462,785** | 6,524,839 | 7,647,811 |
| Assets classified as held for sale | | **–** | – | 116,210 |
| Assets of a disposal company classified as held for sale | | **33,374** | – | – |
| Total current assets | | **6,496,159** | 6,524,839 | 7,764,021 |
| **CURRENT LIABILITIES** | | | | |
| Gross amounts due to contract customers | *10* | **398,697** | 542,208 | 1,637,037 |
| Trade and bills payables | *13* | **3,516,007** | 3,034,461 | 3,335,388 |
| Other payables, advances from customers and accruals | | **773,624** | 1,114,872 | 1,437,512 |
| Interest-bearing bank and other borrowings | | **313,332** | 426,721 | 230,049 |
| Due to a related company | | **–** | – | 78 |
| Due to an associate | | **630** | 630 | 630 |
| Dividends payable | | **81,984** | 272,674 | 272,674 |
| Tax payable | | **139,146** | 140,880 | 100,985 |
| | | **5,223,420** | 5,532,446 | 7,014,353 |
| Liabilities directly associated with assets classified as held for sale | | **6,556** | – | – |

| | Notes | **2017** **RMB'000** | 2016 RMB'000 (Restated) | 2015 RMB'000 (Restated) |
|---|---|---|---|---|
| Total current liabilities | | **5,229,976** | 5,532,446 | 7,014,353 |
| **NET CURRENT ASSETS** | | **1,266,183** | 992,393 | 749,668 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,382,895** | 2,188,239 | 2,110,986 |
| **NON-CURRENT LIABILITIES** | | | | |
| Deferred tax liabilities | | **18,499** | 25,633 | 22,451 |
| Government grants | | **5,014** | 5,144 | 5,275 |
| Total non-current liabilities | | **23,513** | 30,777 | 27,726 |
| **NET ASSETS** | | **2,359,382** | 2,157,462 | 2,083,260 |
| **EQUITY** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | *14* | **329,968** | 329,809 | 329,803 |
| Share premium | | **850,993** | 846,250 | 846,077 |
| Other reserves | | **1,002,063** | 786,310 | 719,503 |
| | | **2,183,024** | 1,962,369 | 1,895,383 |
| **Non-controlling interests** | | **176,358** | 195,093 | 187,877 |
| **Total equity** | | **2,359,382** | 2,157,462 | 2,083,260 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. 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 include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.1 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IAS 7 | *Disclosure Initiative* |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12* |

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's subsidiary classified as a disposal company held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

## 2.2 CORRECTION OF PRIOR YEAR ERRORS

As set out in notes 10 and 11 to the consolidated financial statements, the Group had amounts due from contract customers of RMB951,169,000 and trade receivables of RMB55,937,000 as at 31 December 2016, respectively, which have been identified as overdue in accordance with contract terms. The Group has previously recorded an impairment provision of RMB643,629,000 for the abovementioned amounts due from contract customers and no provision for the abovementioned trade receivables as at 31 December 2016. The independent auditors expressed a modified opinion on the Group's financial statements for the year ended 31 December 2016 in respect of the impairment provision. In the current year, management has considered and concluded that additional provisions of RMB32,404,000 for amounts due from contract customers and RMB41,573,000 for trade receivables should have been recorded retrospectively as impairment provision for the year ended 31 December 2016 and prior years, respectively.

The impact of the restatement made in respect of the above error is summarised below:

**Consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2016**

| | **As previously reported** *RMB'000* | **Increase/ (decrease)** *RMB'000* | **As restated** *RMB'000* |
|---|---|---|---|
| Other expenses | 816,231 | 32,404 | 848,635 |
| Profit before tax | 153,621 | (32,404) | 121,217 |
| Income tax | 100,251 | (1,429) | 98,822 |
| Profit for the year | 53,370 | (30,975) | 22,395 |
| Profit for the year attributable to owners of the parent | 42,914 | (27,735) | 15,179 |
| Profit for the year attributable to non-controlling interests | 10,456 | (3,240) | 7,216 |
| Total comprehensive income for the year | 74,529 | (30,975) | 43,554 |
| Total comprehensive income for the year attributable to owners of the parent | 64,073 | (27,735) | 36,338 |
| Total comprehensive income for the year attributable to non-controlling interests | 10,456 | (3,240) | 7,216 |
| | *RMB* | *RMB* | *RMB* |
| Earnings per share | 1.06 cents | (0.69) cents | 0.37 cents |

**Consolidated statement of financial position as at 31 December 2016**

| | **As previously reported** *RMB'000* | **Increase/ (decrease)** *RMB'000* | **As restated** *RMB'000* |
|---|---|---|---|
| Gross amounts due from contract customers | 3,821,694 | (32,404) | 3,789,290 |
| Trade receivables | 186,899 | (41,573) | 145,326 |
| Total current assets | 6,598,816 | (73,977) | 6,524,839 |
| Net current asset | 1,066,370 | (73,977) | 992,393 |
| Total assets less current liabilities | 2,262,216 | (73,977) | 2,188,239 |
| Deferred tax liabilities | 28,895 | (3,262) | 25,633 |
| Total non-current liabilities | 34,039 | (3,262) | 30,777 |
| Net assets | 2,228,177 | (70,715) | 2,157,462 |
| Equity attributable to owners of parent | 2,025,687 | (63,318) | 1,962,369 |
| Non-controlling interests | 202,490 | (7,397) | 195,093 |

## 3. OPERATING SEGMENT INFORMATION

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

— Engineering, procurement and construction ("EPC"); and

— Engineering, consulting and technical services

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

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

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

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**Operating segments**

| **Year ended 31 December 2017** | **EPC**<br>*RMB'000* | **Engineering, consulting and technical services**<br>*RMB'000* | **Total**<br>*RMB'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | **4,009,407** | **115,383** | **4,124,790** |
| Intersegment sales | **65,150** | **–** | **65,150** |
| **Total revenue** | **4,074,557** | **115,383** | **4,189,940** |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | **(65,150)** |
| Revenue | | | **4,124,790** |
| **Segment results** | **879,513** | **(18,355)** | **861,158** |
| *Reconciliation:* | | | |
| Imputed interest income from a EPC contract | **109,156** | **–** | **109,156** |
| Interest on discounted letter of credit | **(109,156)** | **–** | **(109,156)** |
| Unallocated income | | | **79,638** |
| Unallocated expenses | | | **(683,446)** |
| Unallocated finance costs | | | **(27,004)** |
| Share of losses of an associate | | | **(1,222)** |
| Profit before tax | | | **229,124** |

| Year ended 31 December 2017 | EPC | Engineering, consulting and technical services | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment assets** | **4,945,487** | **6,716** | **4,952,203** |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | **(14,547)** |
| Corporate and other unallocated assets | | | **2,675,215** |
| Total assets | | | **7,612,871** |
| **Segment liabilities** | **4,168,427** | **69,687** | **4,238,114** |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | **(16,347)** |
| Corporate and other unallocated liabilities | | | **1,031,722** |
| Total liabilities | | | **5,253,489** |
| **Other segment information** | | | |
| Share of losses of an associate | | | |
| Unallocated | | | **(1,222)** |
| Impairment losses reversed in the statement of profit or loss | **–** | **335** | **335** |
| Depreciation and amortisation | | | |
| Unallocated | | | **55,745** |
| Investment in an associate | | | |
| Unallocated | | | **1,278** |
| Capital expenditure* | | | |
| Unallocated | | | **16,294** |

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

| Year ended 31 December 2016 | EPC<br>*RMB'000*<br>(Restated) | Engineering, consulting and technical services<br>*RMB'000*<br>(Restated) | Total<br>*RMB'000*<br>(Restated) |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | 2,975,685 | 66,192 | 3,041,877 |
| Intersegment sales | 9,672 | — | 9,672 |
| **Total revenue** | 2,985,357 | 66,192 | 3,051,549 |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | (9,672) |
| Revenue | | | 3,041,877 |
| **Segment results** | 917,705 | 13,528 | 931,233 |
| *Reconciliation:* | | | |
| Unallocated income | | | 590,017 |
| Unallocated expenses | | | (1,117,268) |
| Share of profit of an associate | | | 463 |
| Finance costs | | | (283,228) |
| Profit before tax | | | 121,217 |
| **Segment assets** | 4,616,338 | 79,331 | 4,695,669 |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | (13,436) |
| Corporate and other unallocated assets | | | 3,038,452 |
| Total assets | | | 7,720,685 |

| Year ended 31 December 2016 | EPC<br>*RMB'000*<br>(Restated) | Engineering, consulting and technical services<br>*RMB'000*<br>(Restated) | Total<br>*RMB'000*<br>(Restated) |
|---|---|---|---|
| **Segment liabilities** | 4,428,317 | 18,108 | 4,446,425 |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | (13,491) |
| Corporate and other unallocated liabilities | | | 1,130,289 |
| Total liabilities | | | 5,563,223 |
| **Other segment information** | | | |
| Share of profit of an associate | | | |
| Unallocated | | | 463 |
| Impairment losses recognised in the statement of profit or loss | 676,033 | 2,248 | 678,281 |
| Depreciation and amortisation | | | |
| Unallocated | | | 56,095 |
| Investment in an associate | | | |
| Unallocated | | | 2,500 |
| Capital expenditure* | | | |
| Unallocated | | | 4,965 |

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

**Geographical information**

Revenue from external customers

| | **2017**<br>***RMB'000*** | 2016<br>*RMB'000* |
|---|---|---|
| Mainland China | **2,079,567** | 1,467,478 |
| Saudi Arabia | **1,082,429** | 246,310 |
| Venezuela | **765,953** | 1,296,525 |
| United Arab Emirates | **185,598** | 31,564 |
| The United States | **11,243** | – |
| | **4,124,790** | 3,041,877 |

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

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

**Information about major customers**

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

| | **2017** | 2016 |
|---|---|---|
| Customer A (EPC segment) | **18.6%** | 42.6% |
| Customer B (EPC segment) | **17.7%** | N/A |
| Customer C (EPC segment) | **10.2%** | N/A |
| Customer D (EPC segment) | **10.2%** | N/A |
| Customer E (EPC segment) | **N/A** | 26.9% |

## 4. REVENUE, OTHER INCOME AND GAINS

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

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

| | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| **Revenue** | | |
| Construction contracts | **4,009,407** | 2,975,685 |
| Rendering of services | **115,383** | 66,192 |
| | **4,124,790** | 3,041,877 |
| **Other income** | | |
| Government grants* | **5,178** | 8,995 |
| Interest income | **110,520** | 263,626 |
| Rental income | **69,966** | 57,296 |
| Others | **3,130** | 5,464 |
| | **188,794** | 335,381 |
| **Gains** | | |
| Gain on disposal of assets | **–** | 220,189 |
| Foreign exchange gains | **–** | 34,447 |
| | **–** | 254,636 |
| | **188,794** | 590,017 |

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on bank loans wholly repayable within five years | **21,256** | 20,824 |
| Interest on discounted bills and letter of credit | **114,904** | 262,404 |
| | **136,160** | 283,228 |

## 6. PROFIT BEFORE TAX

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

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Cost of services provided | **3,263,632** | 2,110,644 |
| Depreciation | **48,386** | 46,855 |
| Research and development costs | **126,719** | 116,385 |
| Amortisation of prepaid land lease payments | **4,158** | 4,158 |
| Amortisation of other intangible assets | **3,201** | 5,082 |
| (Reversal of provision)/provision for inventories | **(335)** | 2,248 |
| Impairment for gross amounts due from contract customers | **–** | 676,033 |
| Loss on disposal of items of property, plant and equipment | **306** | 973 |
| Minimum lease payments under operating leases | **17,903** | 16,561 |
| Auditor's remuneration | **4,642** | 4,628 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **459,954** | 524,745 |
| Retirement benefit scheme contributions | **43,701** | 62,497 |
| Equity-settled share option expenses | **26,203** | 30,600 |
| Equity-settled share-based payment expenses | **84,936** | – |
| | **614,794** | 617,842 |
| Foreign exchange differences, net | **46,044** | (34,447) |

## 7. INCOME TAX

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Current | | |
| — Mainland China | **58,109** | 69,942 |
| — Elsewhere | **9,293** | 26,523 |
| Deferred | **(3,997)** | 2,357 |
| Total tax charge for the year | **63,405** | 98,822 |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Indonesia, Iraq, Saudi Arabia, United Arab Emirates and the United States of America as the Group did not have any assessable income arising in Hong Kong, Indonesia, Iraq, Saudi Arabia, United Arab Emirates and the United States of America during the year ended 31 December 2017 (2016: Nil).

惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering") was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering reapplied "High and New Technology Enterprise" and obtained the certification on 23 October 2017 which will be effective for another three years from 1 January 2017. Therefore, Wison Engineering was subject to CIT at a rate of 15% for the years ended 31 December 2017 and 2016.

惠生(揚州)化工機械有限公司 ("Wison Yangzhou") was subject to CIT at a rate of 25%.

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

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit before tax | **229,124** | 121,217 |
| At the statutory income tax rates | **57,281** | 30,304 |
| Lower tax rate enacted by local authority | **19,672** | 16,222 |
| Effect of different tax rates of branches operating in other jurisdictions | **(25,883)** | (63,753) |
| Tax losses not recognised | **2,182** | 2,297 |
| Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China | **12,089** | 3,182 |
| Additional tax deduction | **(6,160)** | (12,634) |
| Income not subject to tax | **–** | (894) |
| Expenses not deductible for tax | **4,224** | 124,098 |
| Tax charge for the year | **63,405** | 98,822 |

The share of tax attributable to an associate amounting to RMB55,000 (2016: RMB37,000) is included in "Share of profits or losses of an associate" in the consolidated statement of profit or loss.

## 8. DIVIDENDS

The directors do not declare any dividends for the years ended 31 December 2016 and 2017.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,064,920,116 (2016: 4,064,664,000) in issue during the year.

The calculation of the 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 on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **138,306** | 15,179 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the earnings per share calculation | **4,064,920,116** | 4,064,664,000 |
| Effective of dilution-weighted average number of ordinary shares | **23,505,780** | – |
| | **4,088,425,896** | 4,064,664,000 |

## 10. CONSTRUCTION CONTRACTS

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Gross amounts due from contract customers | **2,727,502** | 4,465,323 |
| Impairment | **(676,033)** | (676,033) |
| | **2,051,469** | 3,789,290 |
| Gross amounts due to contract customers | **(398,697)** | (542,208) |
| | **1,652,772** | 3,247,082 |

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Contract costs incurred plus recognised profits less recognised losses to date | **22,874,267** | 35,106,225 |
| Less: Progress billings | **(21,221,495)** | (31,859,143) |
| | **1,652,772** | 3,247,082 |

As at 31 December 2017, included in the amounts due from contract customers was an amount of RMB863,169,000 (2016: RMB951,169,000) which related to the Group's certain EPC projects, and has been identified as overdue in accordance with contract terms. The Group has recorded an impairment provision of RMB676,033,000 as of 31 December 2017. The impairment provision as of 31 December 2016 as previously reported was RMB643,629,000 and has been restated to RMB676,033,000 in the current year. The additional provision of RMB32,404,000 has been restated as other expenses for the year ended 31 December 2016.

## 11. TRADE RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Trade receivables | **1,397,730** | 186,899 |
| Impairment | **(41,573)** | (41,573) |
| | **1,356,157** | 145,326 |

The Group's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and on credit terms of a period of 30 days or the respective retention periods in the contracts. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by management.

Trade receivables are unsecured and non-interest-bearing.

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

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| Trade receivables: | | |
| Within 1 month | **924,364** | 31,328 |
| 2 to 12 months | **424,201** | 51,895 |
| Over 1 year | **7,592** | 62,103 |
| | **1,356,157** | 145,326 |

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

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | | (Restated) |
| At 1 January | **41,573** | 42,338 |
| Amount written off as uncollectible | **–** | (765) |
| At 31 December | **41,573** | 41,573 |

As at 31 December 2017, included in trade receivables was an amount of RMB41,573,000 (2016: RMB55,937,000) which has been identified as overdue in accordance with contract terms. The Group has recorded an impairment provision of RMB41,573,000 as of 31 December 2017. The impairment provision as of 31 December 2016 for this customer as previously reported was nil and has been restated to RMB41,573,000 in the current year. The restatement has reduced the retained profit as at 1 January 2016 by the same amount.

The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade receivables: | | |
| Neither past due nor impaired | **926,364** | 33,328 |
| Less than 12 months pass due | **424,201** | 51,895 |
| Over 1 year pass due | **5,592** | 60,103 |
| | **1,356,157** | 145,326 |

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

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

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cash and bank balances | **1,339,976** | 1,728,058 |
| Time deposits with original maturity of less than three months | **–** | 79,745 |
| Time deposits with original maturity of more than three months | **118,446** | – |
| | **1,458,422** | 1,807,803 |
| Less: Pledged bank balances and time deposits | **(542,269)** | (1,106,803) |
| Unpledged cash and cash equivalents | **916,153** | 701,000 |

At 31 December 2017, bank balances and time deposits of RMB296,209,000 (2016: RMB1,095,365,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2017, bank balances of RMB7,037,000 (2016: RMB11,438,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 31 December 2017, bank balances and time deposits of RMB180,188,000 (2016: Nil) were pledged as security for bill facilities granted by the banks.

At 31 December 2017, bank balances of RMB58,835,000 (2016: Nil) were pledged to a bank as security for bank loans.

At 31 December 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB368,735,000 (2016: RMB108,178,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## 13. TRADE AND BILLS PAYABLES

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **2,035,822** | 1,392,366 |
| 1 to 2 years | **969,286** | 1,276,527 |
| 2 to 3 years | **192,315** | 181,905 |
| Over 3 years | **318,584** | 183,663 |
| | **3,516,007** | 3,034,461 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua")) | **1,743** | 180 |

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

## 14. SHARE CAPITAL

**Shares**

| | **2017** | 2016 |
|---|---|---|
| Number of ordinary shares | | |
| Authorised: | | |
| Ordinary shares of HK$0.1 each | **20,000,000,000** | 20,000,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.1 each | **4,066,566,200** | 4,064,690,400 |

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Authorised: | | |
| Ordinary shares of HK$0.1 each | **1,622,757** | 1,622,757 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.1 each | **329,968** | 329,809 |

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

| | **Number of shares in issue** | **Share capital** | **Share premium account** | **Total** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2016 | 4,064,622,000 | 329,803 | 846,077 | 1,175,880 |
| Share options exercised | 68,400 | 6 | 173 | 179 |
| At 31 December 2016 | **4,064,690,400** | **329,809** | **846,250** | **1,176,059** |
| Share options exercised | **1,875,800** | **159** | **4,743** | **4,902** |
| At 31 December 2017 | **4,066,566,200** | **329,968** | **850,993** | **1,180,961** |

The subscription rights attaching to 1,875,800 share options were exercised at the subscription price of HK$0.837 per share, resulting in the issue of 1,875,800 shares for a total cash consideration, before expenses, of HK$1,570,000 (equivalent to RMB1,330,000) and a share premium of HK$1,382,000 (equivalent to RMB1,171,000). An amount of RMB3,572,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

## PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2017.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has complied with the applicable code provisions of the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") 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 during the year ended 31 December 2017.

## AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises the three independent non-executive Directors of the Company, namely, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. Mr. Lawrence Lee is the Chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2017.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Hong Kong, 28 March 2018

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