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 2019

HIGHLIGHTS:

- Our revenue for the year ended 31 December 2019 amounted to approximately RMB4,367,271,000, representing an increase of 34.1% from approximately RMB3,256,478,000 recorded in 2018.

- Our gross profit for the year ended 31 December 2019 amounted to approximately RMB408,227,000, representing a decrease of 18.2% from approximately RMB498,872,000 recorded in 2018.

- Our profit for the year ended 31 December 2019 amounted to approximately RMB50,558,000, representing a decrease of 15.7% from approximately RMB59,953,000 recorded in 2018.

- Profit attributable to owners of the parent for the year ended 31 December 2019 amounted to approximately RMB50,609,000, representing a decrease of 10.1% from approximately RMB56,301,000 recorded in 2018.

- Our total new contract value (net of estimated value added tax) for the year ended 31 December 2019 amounted to approximately RMB12,776,606,000, representing an increase of 78.3% from approximately RMB7,167,535,000 recorded in the corresponding period in 2018.

- Our total backlog value (net of estimated value added tax) as at 31 December 2019 amounted to approximately RMB21,867,958,000, representing an increase of 65.7% from approximately RMB13,199,055,000 recorded as at 31 December 2018.

- The Board recommends a final dividend of RMB0.0037 (equivalent to HK$0.0040) per ordinary share.

BUSINESS OVERVIEW

REVIEW OF 2019 ANNUAL RESULT AND OUTLOOK

I BUSINESS OVERVIEW

In 2019, Wison Engineering Services Co. Ltd. ("Wison Engineering" or the "Company", together with its subsidiaries, the "Group") continued to uphold the strategy of "A New Voyage, A New Venture". Taking full advantage of flexible operating mechanism of a private enterprise, the Group proactively responded to the challenges and changes in the market and the industry. Meanwhile, the Group continued to increase strategic investments in refined project management, value creation by digitalization and modularization, technology research and development and industry chain extension to consolidate its core competitive edges continuously with a view to being committed to the philosophy of "technology-oriented development" and facilitating the Group to become leading and renowned energy and chemical technology engineering solutions provider in Mainland China and international markets.

For the twelve months ended 31 December 2019 (the "Period under Review"), the global economy and energy and chemical market was deeply affected by the geopolitics and global trading relationships. With sluggish global economic growth and slowdown of crude oil demand, the overall international chemical market dropped and the domestic chemical market became a key pillar for the expansion of global production capacity. During the Period under Review, total new contract secured by the Group amounted to approximately RMB12,776.6 million (net of estimated value added tax), representing a substantial year-on-year increase of 78.3%. As at 31 December 2019, the Group's total backlog value was approximately RMB21,868.0 million (net of estimated value added tax), representing an increase of 65.7% compared to the total backlog value as of 31 December 2018. At the beginning of 2020, some of the construction and cooperation models for certain individual projects of the Group may be modified due to project owners' requirement and changes in the projects. The Group is currently negotiating with project owners and relevant downstream sub-contractors in respect of such modifications. In view of the proposed changes to the model, the Company's scope of responsibilities and obligations will change accordingly. As of the date of this announcement, the Group has neither completed the negotiations regarding the aforementioned matters, nor officially signed any relevant agreements. However, in light of the impact arising from the proposed changes to the model, the Group, for the sake of prudence, has updated the total new contract value and total backlog value with reference to these proposed changes.

Market Environment

In 2019, global economy growth slid to the lowest level since the 2008 financial crisis and global oil demand growth also registered a record low since 2011. During the period, the United States benefited from shale gas development to increase oil supply; on the other hand, production cuts by Organization of the Petroleum Exporting Countries and its alliances ("OPEC+"), the US sanctions against two major oil exporters, Iran and Venezuela, international oil supply basically remained the same as the corresponding period in the previous year. In 2019, international oil prices declined due to effect of relatively broad supply and demand fundamentals. Average future prices of Brent crude oil amounted to US$64.2/barrel, representing a year-on-year decrease of 10.5%.

International market decline with significant difference in regional advantage

During the Period under Review, affected by the uncertainties of the macro economy, the sentiment of global energy and chemical industry declined but regional difference is significant. Asian market remains the major growth momentum of the global chemical market, with emerging economies represented by China and India still leading the global economic growth. In particular, China, with the world's largest energy and chemical terminal consumer market, basic chemicals and downstream chemicals sectors still have a large self-supply shortage and medium to long term demand growth maintained at relatively high level. On the other hand, the United States and the Middle East enjoyed relatively clearer regional cost advantages attributable to energy resources with relatively lower prices.

In 2019, the Group paid close attention to the changes in the core international markets with a focus on the opportunities for energy and chemical infrastructure projects such as refinery, petrochemical, LNG and power generation in different regions. With its competitive advantages such as acute market insight, extensive experience in overseas project management and execution, capability to respond swiftly and flexible operation mechanism, Wison Engineering continued to establish its presence in key international regions and markets. During the period, the US chemical industry has benefitted from shale gas development. With abundant reserve and low cost, the shale gas development has attracted a large amount of new investments into the US, driving the increase in the exports of major shale gas-related chemicals. With rich oil and gas resources, the Middle East continued to maintain its core position in the international energy market and further develop the chemical industry chain. What is more, Saudi Arabia launched "2030 Vision Plan (2030年願景計劃)" to increase investment in the downstream chemical market and improve the value-in-use of crude oil and expand international operation in order to reduce the reliance on crude oil mining and export, thus generating market opportunities for the construction, capacity expansion and transformation and technological upgrade of the refinery and chemical engineering.

At the same time, the Group proactively responded to China's "Belt and Road" initiative and further established presence in regional markets including, among others, Southeast Asia, Africa and Commonwealth of Independent States. As emerging markets in the regions along the "Belt and Road" initiative possess immense growth potential, Wison Engineering will help improve the infrastructure in the regions along the aforesaid initiative, deepening the resource utilization, promoting the development of local living standard and economy, fueling the export of domestic manufacturing capacity and improving the competitive edge and influence of Made-in-China in international market, so as to achieve mutual benefits.

Acceleration of domestic market reform to further open up industries

For domestic market, 2019 marked the beginning of "Seven-year Action Plan (七年行動計劃)" for strengthening domestic oil and gas exploration and development. Domestic upstream capital expenditures are expected to increase significantly; the production volume of both domestic crude oil and natural gas rebounded and investment and production capacity expansion have substantially exceeded the industrial average. During the period, benefited from supportive policies, several major domestic private refinery-petrochemical integration projects have been successively completed and put into operation or have started material preparation. This has accelerated the exit pace of domestic medium and small-sized refineries with lagged production capacity, bringing a positive impact on the restructuring of planning refineries as well as industrial structure optimization. On the other hand, in June 2019, the National Development and Reform Commission (NDRC) and the Ministry of Commerce issued the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition), which substantially relaxes foreign investment in areas such as oil and gas exploration and development and urban gas. This, coupled with a combination of a series of implemented supportive policies of lifting the crude oil import restrictions on private enterprises, expenditure and tax reduction and mixed ownership, further encouraged foreign and private capital to enter domestic oil and gas field.

Driven by the supportive policies, enterprises engaged in non-traditional chemical industries are attracted to be well-positioned to become a new force in the domestic energy and chemical industry. Diversified customers contributed to increasingly diverse customer demand for technologies and services, ranging from initial consultation, park planning, product chain planning and process planning to design, purchase, construction management, equipment startup and operating services and financing. Therefore, an engineering company must be capable of providing integrated comprehensive service solutions upon the request from different customers, which is a new challenge and also a new opportunity for an energy and chemical engineering company.

On the other hand, due to a series of industrial safety accidents such as an accident occurring in Xiangshui Park, Yancheng in the first half of 2019, Chinese government at various levels and parks have tightened safety production and supervision and repeated the review of chemical projects under production and under construction and tightened the review on new investment projects phase by phase. Therefore, the growth of capital expenditure of the chemical industry slid. Nevertheless, with more stringent safety supervision and monitoring, enterprises with hidden production risks and disorderly management have gradually been controlled, thereby actively promoting quality industrial development.

Overall, compared with international markets endowed with resources such as the United States and the Middle East, the petrochemical industry in China has the clear advantage in, among others, project investment costs, production efficiency, new product application and near terminal consumption. And the reform and opening up of energy market in China has continuously been attracting various capital into the market and has gradually formed the triangular balance of power among SOEs, private enterprises and foreign enterprises as well as development of diversified industrial chains such as petrochemical and coal-to-chemicals, thereby comprehensively enhancing market influence. But at the same time, numerous core technologies and products still need to be imported to China, notably in the downstream of the refined chemical and new materials with huge development potential.

II FINANCIAL HIGHLIGHTS

During the Period under Review, revenue of the Group amounted to approximately RMB4,367.3 million (for the twelve months ended 31 December 2018: approximately RMB3,256.5 million), representing a year-on-year increase of 34.1%. The increase in revenue was mainly attributable to the increase in revenue recognized during the Period under Review as a result of the satisfactory progress achieved by the Group's key projects, and that the overseas petrochemical projects in America and Middle East have entered into the peak construction stage. The gross profit amounted to approximately RMB408.2 million (for the twelve months ended 31 December 2018: approximately RMB498.9 million), representing a year-on-year decrease of 18.2%. During the Period under Review, profit attributable to owners of the parent amounted to approximately RMB50.6 million (for the twelve months ended 31 December 2018: approximately RMB56.3 million), representing a year-on-year decrease of 10.1%. The decrease in profit attributable to owners of the parent was mainly attributable to the decrease in gross profit margin of the Group's petrochemical EPC projects due to intensified market competition and increasing raw material costs, as well as the increase in the income tax costs of overseas regions.

During the Period under Review, the Group's total new contract value amounted to approximately RMB12,776.6 million (for the twelve months ended 31 December 2018: RMB7,167.5 million) (net of estimated value added tax, same hereinafter), representing a year-on-year increase of 78.3%, of which EPC accounted for 97.6%. For revenue breakdown by operating industries of our clients, petrochemicals business, oil refinery business and coal-to-chemicals business accounted for 27.0%, 49.3% and 10.1%, respectively. During the Period under Review, the total backlog value (net of estimated value added tax, same hereinafter) was approximately RMB21,868.0 million, representing an increase of 65.7% as compared to the backlog value as of 31 December 2018.

III BUSINESS AND OPERATIONS REVIEW

(1) International Markets

During the Period under Review, the international political situation and the global economic uncertainties have affected global crude oil supply pattern, causing disorder in the global petrochemical supply chain and substantial fluctuations in oil prices and chemical product prices. During the period, the Group secured 10 new international projects, mainly from two core markets, namely the United States and the Middle East. In addition, Wison Engineering actively explored markets of emerging areas and further established its presence in Russia and Commonwealth of Independent States, Southeast Asia and Africa, and is expected to make substantial project breakthroughs in emerging markets in 2020.

The Middle East:

The Middle East is the hub of the global energy, and also the core area in the Group's globalization strategy. During the Period under Review, due to the geopolitical tension within the region and the restrictions in the oil output cut agreement, the growth of oil exporting economies in the Middle East slowed down. In response to market changes, countries in the Middle East shifted their development focus to downstream petrochemical industry and became more active in gas field development, LNG and investment in major petrochemical projects, generating new opportunities for engineering companies.

With nearly ten years of presence in the Middle East market and with its outstanding capabilities in project execution, engineering quality, safety management, and resource integration in the Middle East, Wison Engineering has delivered many projects in the Middle East and has therefore established a premium brand image and reputation. Apart from conducting EPC projects of Saudi Aramco and Abu Dhabi National Oil Company (ADNOC), the Group also actively promoted localized sustainable development strategy. The Group has established operating centers in the Middle East equipped with outstanding local teams responding to the needs of local owners. Operating centers in the Middle East have accumulated several on-site EPC projects of Saudi Basic Industries Corporation (SABIC) and actively explored project tracking opportunities in markets such as Qatar and Kuwait. It is expected that there will be a number of project tendering opportunities with a scale of over US$300 million.

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

North America:

North America is another major market for the Group's globalization strategy. In view of issues such as high labour cost and delay in engineering progress in North American market, the Group developed modularized EPC delivery services which, through modularized factory prefabrication, assembly and integrated delivery, has reduced the cost of construction for North America investment projects and significantly shortened the construction cycle and thus enhancing the economic efficiency of the project. The modularized EPC service products have raised the competitiveness of the Group in the United States market and have set a new industry benchmark for the Chinese engineering enterprises. With Wison Engineering's continuously increasing market influence in North America, the Group is expected to achieve new breakthroughs in new projects in North America in 2020.

During the Period under Review, the Group has completed approximately 80% of the construction project in the petrochemical EPC project in Texas, the United States and is expected to be the largest general contract separately undertaken in the United States by a Chinese petrochemical EPC engineering company. The project involved 11,000 tonnes of modules and approximately 80% of precise fabrication of separate components was carried out in China. For the first time, the Group utilized the self-propelled deck barge to carry out trans-ocean transportation of modules, which again proves the Group's capability in managing design, procurement, construction and transportation for the modular EPC project throughout the whole process and has provided strong assurance for the control of project costs, quality and progress.

During the Period under Review, the Group has been awarded a polypropylene Front End Engineering Design (FEED) project in Louisiana, the United States, which is Wison Engineering's first FEED project in the United States as well as the first project where module planning on process plants started from the front end design of the project. The Group adhered to the innovative approach to optimize the system layout with local elements and due consideration has been given to the allocation of transportation and construction machinery and manpower, thereby incorporating advanced and economical module concept into its designs, and hence offering owners solutions with optimal "quality, progress and cost". Currently the project has completed the key stage review and construction feasibility studies. The front end engineering design work was well recognized by the owner, laying a foundation for signing the next phase of EPC projects.

In November 2019, the Group has been awarded a polypropylene EPF contract in Texas, the United States, which comprised the design, procurement and fabrication of process framework modules as well as the installation of equipment within the module. This is Wison Engineering's another EPF project for major module fabrication following its accumulation of various modules in North America, with project difficulty and complexity significantly increased. In addition, in July 2019, the Group delivered the support of modularized design, procurement, manufacturing, transportation and construction for utility engineering plants located in Texas, breaking the Group's record of shortest module delivery time.

Other regions:

In addition to the key regions such as the Middle East and North America, the Group is determined to fully implement the internationalization strategy and will continue to strengthen the strategic investment in global marketing layout. More than ten branches have been established in the countries in the Commonwealth of Independent States, Southeast Asia and Africa as well as those along the "Belt and Road" initiative. During the period, the Group secured its first front-end design contract in relation to the MTO Project in Russia, which had set the stage for further expansion of natural gas chemical EPC projects in the Russian market. In addition, the Group has also secured feasibility study contracts in respect of MTO projects and oil refining projects in both Southeast Asia and Africa, and is expected to pursue subsequent design and EPC contracts in 2020.

(2) Domestic markets

During the Period under Review, the Group has been continuously improving project execution and management quality by fully leveraging market opportunities. Wison Engineering not only maintained its edges in traditional fields such as ethylene and coal-to-chemicals, but also proactively explored emerging fields, which led to breakthroughs in aspects such as light hydrocarbon downstream of PDH, PTA and oil refineries. During the Period under Review, the Group secured a total of 65 new domestic projects, with an aggregate contract value of approximately RMB12.09 billion. These new projects, mainly located in Shandong, Zhejiang, Fujian, Guangdong and other regions, involve various types of engineering works, such as refinery-petrochemical integration, ethylene, coal-to-chemicals, PTA and PDH. The Group's performance in domestic market is highly recognized and significant progress has been made in several key domestic projects.

Ethylene plant project for Zhejiang Petrochemical highlighted its capabilities of project execution and globalized procurement: On 28 May 2019, the Group entered into a general contract with Zhejiang Petrochemical Co., Ltd. (浙江石油化工有限公司) ("Zhejiang Petrochemical") for 2# 1,400kta ethylene plant. By fully leveraging its modularized design, manufacturing experience and globalized procurement ability as well as project management experiences, the Group, as the general contractor for the 2# ethylene plant, focused on the procurement and supply of long-cycle equipment and materials in 2019, and hence procured project materials of more than 53,000 tonnes, fulfilling its construction needs at project sites. During the period, the installation and civil engineering works of underground pipeline networks and lifting of propylene column under such project were basically completed while the modularized construction and installation for 9 cracking furnaces were also underway as scheduled. The ethylene plant project is one of the main projects under the 40,000kta integrated refining and petrochemical project developed by Zhejiang Petrochemical, in which the Group places high importance on project safety and civilized construction management and garners wide recognition from owners and peers in the industry. The 2# ethylene plant project was awarded the title of "2019 Exemplary Civilized Construction Site of Zhejiang Petrochemical Phase II Project" (2019年度浙江石化二期文明施工樣板工地); and the foundation work of 2# ethylene cracking furnaces was also distinguished by the owners as a model project, both of which fully demonstrated Wison Engineering's remarkable capabilities in general contracting and management of chemical plant projects.

Nanjing Chengzhi Yongqing MTO plant of the MTO Project has started successfully: The MTO plant of the 600kta MTO project by Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司) ("Nanjing Chengzhi Yongqing") licensed by the Group under EPC completed its delivery on 8 May 2019 and has started successfully on 28 June 2019 to produce on-spec ethylene and propene products. The MTO plant technology continues to utilize integrated technologies which combine Honeywell UOP's MTO reaction technology and the Group's olefin separation technology-"Pre-cutting + Oil Absorption. The by-product C4 fraction's butadiene production though Oxidation and Dehydrogenation marks the first time that the Group applied a combined technology of MTO and butadiene, which is currently the best application for MTO. The successful delivery has again proved the Group's comprehensive strength in MTO projects and it also marks a key milestone for the Group in the expansion of MTO market.

Nanjing Chengzhi Yongqing's butene oxidation and dehydrogenation to 100kta butadiene plant has started up successfully, showcasing the advantage of catalyst and leading technology: The 100kta butene oxidation and dehydrogenation to butadiene plant by Nanjing Chengzhi Yongqing licensed by the Group under EPC adopts the Group's self-developed butene oxidation and dehydrogenation catalyst and related technology. The industrial application shows that the efficiency of the Group's self-developed catalyzed butadiene has reached a new high and the utility engineering consumption is significantly lower than that of similar plants. The reliable plant operates stably and its technological indicators outperform similar domestic and overseas catalysts. Its processes possess clear technological advantages. The outcome of the plant operation indicates that the Group's oxidation and dehydrogenation to butadiene catalyst continues its leading position among similar catalysts, which has fully evidenced the Group's consistent research and development capabilities in terms of catalyst and hence generating stable economic effectiveness for the Group.

Fujian ShenYuan's Coal-to-Hydrogen and Synthetic Ammonia Project set a new benchmark for safe environmental protection: the Group has entered into an EPC contract with Fujian ShenYuan New Materials Co., Ltd (福建申遠新材料有限公司) ("Fujian ShenYuan") for the construction of 75,000 Nm^3/h coal-to-hydrogen plant and 300 kta synthetic ammonia plant, with a contract sum of approximately RMB1.4 billion. The Group is responsible for engineering management, basic design and detailed design of the project, supply of equipment and materials, construction and construction management as well as instructing the commissioning and start-up. During the period, the Group commenced on-site surveys of the project and inspection on unit models, cumulatively purchased 81.25% of long-cycle equipment and received all materials for first-level ground pipes, laying a key foundation for subsequent works. The Coal-to-Hydrogen and Synthetic Ammonia Project, which is a key part of the second phase of the 400 kta integrated polyamide project of Fujian ShenYuan, will achieve integration of upstream and downstream in the world's largest production base of caprolactam as well as increase in production capacity after completion of construction, thereby becoming a new industrial benchmark that is safe, reliable, energy-saving and environmentally-friendly and also marking another breakthrough of the Group in new material application as well as a significant strategic presence for the Group to deepen its expansion in South China market.

Wison Taizhou New Materials Project has achieved preliminary breakthroughs: On 12 March 2019, the Group entered into an EPC contract with Wison (Taizhou) New Material Technology Co., Ltd. (惠生(泰州)新材料科技有限公司) ("Wison Taizhou") regarding a high performance polyamide project. Capitalizing on its technological engineering conversion design, manufacturing and project management experience as well as globalized procurement ability, the Group is responsible for technological engineering conversion, engineering design, equipment and material procurement of the project, project construction services as well as assisting Wison Taizhou in commissioning, start-up and performance assessment. Even though on-site construction is currently at the stage of foundation work, significant breakthroughs can be seen in the technological engineering conversion and engineering design. As of the end of 2019, technological conversion and engineering design of 2 sets of process plants and 21 construction drawings of secondary construction works of utilities projects were completed, which marked the Group's triumph over technological design hurdles. The remaining construction drawings will also be completed in the near future, laying a solid foundation for project construction.

Zhenjiang Evonik Wynca Fumed Silica Project has achieved a new breakthrough in terms of foreign-funded project in the domestic market: The Group entered into an EPCM service contract with Evonik Wynca (Zhengjiang) Silicon Material Co., Ltd. (赢創新安(鎮江)硅材料有限公司) ("Evonik Wynca") for the Evonik Wynca Fumed Silica Project. The project was the Group's first foreign-funded EPCM service project in the domestic market of the new material industry. Evonik Group is a global leading specialized chemical enterprise while the project is a large scale fine chemical project invested by Evonik Group in the PRC, which has received great attention. Leveraging its competitive edges in integrated project management, such as front end engineering design (FEED), detailed design, procurement capability and construction management, the Group will provide high-quality solutions for this project. The project demonstrated the excellent comprehensive management service capability of the Group and received recognition from international enterprises, which marked a new breakthrough of the Group in exploring service scope.

(3) Technology Research and Development

2019 marked a new round of deepening innovation and development for enterprises. By continuing to adhere to the objectives of "improving people's livelihood with innovative technology", the Group focused on and seized the world's ground-breaking, cutting edge technologies and moved forward by upholding the philosophy of being green, low-carbon and energy-saving, thereby promoting corporate development with technology as the driving force. During the Period under Review, remarkable new intellectual property rights achievements have been made by the Group with 26 new patents, 18 new licensed patents and 6 new software copyright registrations. The Group's intellectual property management system has successfully passed the certification by a third party. It has also completed the project inspection and acceptance for "2017 Recognized Shanghai Patent Pilot Demonstration Unit (2017年認定的上海市專利試點示範單位)" of Shanghai Intellectual Property Administration and passed the appraisal for "Shanghai Municipal Enterprise Technology Centre (上海市企業技術中心)" of Shanghai Economic and Information Technology Commission (上海市經濟信息化委員會).

Following the establishment of post-doctoral research center upon approval from the Ministry of Human Resources and Social Security of the PRC in 2018, the Group formulated strategies from a high starting point and implemented measures with high standards. During the Period under Review, the Group entered into an agreement with East China University of Science and Technology, pursuant to which both parties worked closely together in aspects such as introduction of post-doctoral talents, teambuilding, co-development of production and learning, establishment of systems, etc.. During the year, the Group has successfully introduced post-doctoral talents to station at the research center and conduct research on various topics.

During the Period under Review, by continuing to lay out and deepen the strategy for low-carbon development of global energy, the Group proactively promoted the implementation of the sub-topic of "new technology of glycol by synthesizing ethylene carbonate and hydrogen with cogeneration of methanol" under the national key research and development plan of "new technology for efficient CO2 synthesis of chemicals". The research and development, engineering design, and government filing and approval processes of the project have progressed steadily on schedule. The interim examination on the project and research conducted by the Hi-Tech Centre of the Ministry of Science and Technology was also completed in September 2019. Furthermore, in collaboration with its working partners, the Group has completed the interim test for its self-developed DME-based ethanol technology and successfully developed qualified absolute ethanol products. On this basis, the Group actively commenced the development of technology packages at a commercial scale and accelerated the application and implementation of industrial demonstration, with a view to facilitating its coal-to-chemicals enterprises to improve its corporate risk resistance capability as well as achieve differentiated and efficient development through industrial upgrade.

During the Period under Review, Nanjing Chengzhi Yongqing Energy's MTO plant of the 600kta MTO project with technology licensed by the Group started up successfully in the first trial run and produced polymer grade ethylene and propene products; while Liaocheng Meiwu New Materials's MTO plant of the 300kta with technology licensed by and engineering design provided by the Group started up successfully in the first trial run and produced polymer grade ethylene and propene products. Up to now, 6 MTO plants deploying Wison Engineering's MTO separation technology started up successfully and commenced operation in the PRC, which has again highlighted the Group's comprehensive strength in terms of MTO technology research and development, engineering and market expansion. Nanjing Chengzhi Yongqing Energy's 100kta butene oxidation and dehydrogenation to butadiene plant of the project with technology licensed by the Group started up successfully, which was the second technology license by the Group with respect to its self-developed butene oxidation and dehydrogenation catalyst and related technology.

During the Period under Review, the Group entered into a contract for the licensing of patent technology and design of related technology packages with Yangmei Group Zibo Qilu First Fertilizer Company Limited (陽煤集團淄博齊魯第一化肥有限公司) in respect of the acid gas removal unit of the technical transformation project of the 45000Nm^3/h syngas plant. The technology, which is self-developed by the Group, will be used to provide qualified clean syngas for downstream butanol plant by removing the acid gas in upstream syngas. This technical transformation has once again highlighted the Group's leading edges in the new coal-to-chemicals industry in terms of application of self-developed and environmentally-friendly technology.

(4) Digitalization

Wison Engineering recognized remote office work, digitalization and intelligence as the future development directions in the energy and chemical engineering industry. During the Period under Review, the Group earnestly implemented the "enhancing the digitalization capacity of Wison and supporting the One-Core and Two-Wing strategy" to promote digital transformation. By enhancing digital capability involved in "client-oriented" EPC, project management and other processes, the Group gradually developed "Intelligent Factory" through conducting "Smart Project". Simultaneously, the Group enhanced operating efficiency and effectiveness of the Company by constantly improving its digital system with a focus on building up Wison Engineering's digital strength, and continuously carrying out the reform of its organization, operation models, procedures and methods, as well as systems and platforms with an emphasis on its vision, culture, talents and incentives. Wison Engineering's industry-leading digital capability and system are capable of meeting the service demand for digitalization from domestic and overseas owners.

In terms of Smart Project, the Group digitalized its design processes, especially processes such as cross-disciplinary transmission of condition and data, transmission of modified data and consistency check for cross-disciplinary data etc., which were replaced by computer procedures and hence realised automatic completion. During the period, Wison Engineering has improved its contents and depth of automatic completion system, which has been successfully verified in a million-ton ethylene design project. In addition, Wison Engineering improved digitalization in all three processes of procurement, construction and project management, as well as strengthened the data transmission and linkage between various systems, and hence achieved refined and real time digital management for strategic planning and cost management of projects.

In terms of Intelligent Factory, by establishing an intelligent factory for owners through digital delivery. EPC projects, such as SABIC and TAKREER projects in the Middle East, and the Yantai Wanhua ethylene design project undertaken by Wison Engineering in recent years have all achieved digital delivery. In 2019, Wison Engineering established a joint laboratory of intelligent factory with Honeywell, with a view to pursuing the integration of digitalization and intelligence into the entire life cycle, from process and technology research, engineering design, procurement, construction, start-up, operation and maintenance up to decommissioning, of its factories by coupling Wison's edges in process research and EPC project management with Honeywell's strength in process research, and operation and maintenance of engineering works. During the period, the Group completed the compilation of, among other things, the "Overall Plan for Intelligent Factory" and "Requirements of Intelligent Factory and Digital Delivery", and was preparing for building real-time optimization (RTO) and Digital Twin.

(5) Modularization

Modular prefabrication, assembly and integrated delivery can effectively overcome the constraints of construction site, significantly shorten construction period and improve work efficiency, which is conducive to the Group's expansion into overseas markets and is also one of the Group's core strategies. For the regions with high construction costs, resource shortage and higher construction risks, modularized construction of large-scale petrochemical plants is a highly effective solution. The Group has established a dedicated international, cross-functional and multi-disciplinary modular design and execution team with industry leading experience in planning, design, execution and management of the module system for the entire plant. During the Period under Review, with sustainable improvement in capabilities of planning and design of process modules, and refined construction, Wison Engineering was either in the process of, or has completed the design and delivery of several modular projects in overseas markets and China. The Group also prepared and optimized the modular execution and guideline system on modular design, with an aim to enhancing the overall strength of the modular integrated solutions, thereby solidifying the foundation for the Company's modular business, at the same time striving to set a benchmark in the industry.

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

(6) Awards and New Qualifications

During the Period under Review, in view of its quality and efficient services, the Group garnered recognition from its customers, the peers in the industry, regulatory authorities and the capital market, and received a total of 4 national awards and 12 provincial awards. These multiple honors, as a distinct manifestation of the Company's outstanding philosophy of "Prioritizing Quality, Creating Excellence" (質量為先，鑄就精品), are not only recognition for the competence and influence of the Wison Engineering brand, but also an acknowledgement for the contribution of every team and employee of Wison Engineering.

With respect to national awards, the "Weibei Coal Chemical Industrial Park Project" of the Company, consisting of 1,800kt methanol and 700kt polyolefin, was awarded the 2018-2019 National Quality Project Gold Award (國家優質工程金質獎). The "Shandong Yangmei Hengtong Chemical Co., Ltd. Project", comprising of feedstock conversion of 300kta polyvinyl chloride, the Hydrogen Peroxide to Propylene Oxide (HPPO) process with a capacity of 200kta and the Methanol-to-Olefin (MTO) plant with a capacity of 300kta, and the "Xinjiang Xin Lian Xin Chemical Energy Co., Ltd. Project", involving coal-based production of 280kta ammonia, 480kta urea, 100kta melamine and 150kta compound fertilizer, respectively won the National Quality Project Award (國家優質工程獎). Besides, the "Comprehensive Utilization Project of Yan'an Coal Oil and Gas Resources" of the Company, involving ACO cracking modules, received the 2019 Chemical Industry Quality Engineering Award (2019年度化學工業優質工程獎), the highest honor, from the China National Association of Chemical Construction Enterprises.

Likewise, the Group secured an impressive award haul from the assessments for the Provincial Distinct Award of Engineering Consulting (省級優秀工程諮詢成果獎) and received a record high of two top awards, three secondary awards, and five third awards in total. Specifically, Wison has once again won the 2019 Provincial Excellent Survey and Design Innovation Award (年度省級優秀勘察設計創新獎特等獎) with its collaboration project with Shanxi Lu'an Naco Carbon One Chemical Co., Ltd., which consisted of 40kta synthetic base stocks and 20kta environmental-friendly solvent oils. This project marks the world's first industrial plant producing the by-product of high viscosity poly-α-olefin (PAO) using α-olefin extracted from coal-to-liquids, which possesses the characteristics of low energy consumption, high reliability and long-term safety and stability.

During the Period under review, Wison Engineering won recognition from the capital market with its remarkable operating result and business layout. The Group was successively honored with the "Listed Company Awards of Excellence 2019" issued by the Hong Kong Economic Journal, as well as the "Most Valuable Medium-and-Small-Cap Stock Award" and the "Best Investor Relations Award" in the "2019 Golden Hong Kong Stocks" award contest held by Zhitong Finance.

(7) Talent Program

During the Period under Review, targeting the rapid development of its business, the Group continued to introduce new talents based on market and customer demand to improve internal management, thereby achieving a quick response to customers' needs and satisfying the demand of human resources for new project orders. Aligning with the Group's strategy of creating a product technology center as a hub of talent pool and achieving breakthroughs in product technological development, the Group was successfully approved by the Ministry of Human Resources and Social Security of the PRC to establish the corporate post-doctoral center of the Group, which provides a greater platform for attracting more high-end technical talents. During the period, the Group employed a total of 368 new employees, and recruited 81 graduates through campus recruitment, of which master and doctoral graduates accounted for over 80% of the total recruitment.

In 2019, Wison Engineering completed significant organization restructuring and optimization. Adhering to the philosophy of "Business-oriented and Project-focused (以業務為導向、以項目為中心)", the Group conducted organization restructuring based on the transformation in the petrochemical engineering industry and the strategic needs for the development of the Company, and established five major systems, namely a technology system, a marketing system, an execution system, a control system and a resource system. Different systems, each with its respective duties, not only performed its professional function, but also offered mutual support, thereby enhancing synergy and work efficiency of the Company. The new systems optimized the allocation of talents and resources without compromising either its focus or flexibility, and realized a highly flexible and responsive authorization procedure with an efficient, simple and convenient flattened matrix structure.

The Group attached great importance to talent cultivation and improved its team building on an ongoing basis. During the Period under Review, Wison Engineering provided comprehensive trainings to employees at different levels, including leadership training for middle level employees, project trader training and other specific talent cultivation programs. To enhance all-round capabilities and qualifications of its employees, the Group offered trainings to a total of approximately 3,450 employees, with a total training hours of approximately 33,200 hours. Simultaneously, high-calibre project managers, professional managers and talents with experience in project management and execution were encouraged to stay abreast of the progress at the front line of projects, so as to realize an efficient implementation of projects. Meanwhile, the Group also encouraged technology experts and marketing research teams to engage in marketing campaigns both at home and abroad, in order to strengthen resource synergy and allocation, and hence establishing a management system for worldwide major customers.

Besides, the Group further improved its incentive mechanism based on the new organization structure comprising five systems. Persisting on the principle of prioritizing orders and projects, the Group offered more flexible, efficient and punctual incentives with reference to the tracking and management of different operation indicators, including sales revenue, profit and milestone of each project. The incentive mechanism was formulated based on the performance of each department and individual, with material incentives, spiritual incentives, as well as long-term and short-term incentives effectively incorporated and due consideration given to the demand for localized management and personalized development. Wison Engineering motivated its employees to take initiatives in their work and fully demonstrate their enthusiasm and ambition, with a view to closely connecting their personal growths with corporate development and improving the performance of both the individual and the Company.

(IV) OUTLOOK

Looking forward to 2020, affected by the tense trading relationship, geopolitical conflicts and a major public health incident, global economy will witness a discernible slowdown. Owing to the generally weakened demand in the downstream market, the global oil and chemical engineering industry will encounter pressure in terms of demand and profitability. On the supply side of crude oil, the continuous increase in oil production in the U.S. will heighten the pressure on oil price. In addition, the reduction in crude oil production in the Organization of the Petroleum Exporting Countries and its allies, coupled with current developments in sanctioned countries including Iran and Venezuela, will also directly sway the supply and price movements of crude oil. From February to early March 2020, influenced by the outbreak of epidemic, the breakdown of the crude oil production reduction agreement and a turbulent financial market, crude oil price sharply declined to its lowest level since 2016. On the other hand, it is widely expected that after the epidemic gradually becomes stable, the global and domestic economies will recover step by step, and the crude oil prices will restore to a rational level accordingly. As a result of the manifold uncertainties at play, it is anticipated that international oil price will remain volatile in 2020.

In terms of chemical engineering, shrinking of production and profitability will be expected in the first half of 2020 due to the decreased demand of downstream products. If the epidemic is effectively contained globally, a resumption in growth of the industry can be anticipated in the second half of the year. In the long run, against the complex backdrop of trade friction, protectionism, exchange rate fluctuations and environmental regulations, new investment projects shall focus more on individual areas and reasonable extension of its regional competitive edges, which in turn highlights integration advantages, and hence resisting the impact of industrial volatility and maximizing the benefit. Furthermore, the PRC is still a region with the largest trading volume and fastest growth rate in the global petrochemical market, and in particular has a strong demand for fine chemical industry. The trend of future development in the EPC engineering market will concentrate on the richly assorted fine chemical products and by-products, while the production of which requires a high level of engineering technology and detailed design capability.

Besides, the massive outbreak of an epidemic at the start of 2020 has posed lasting impacts on the development of various industries, at the same time intensifying the needs for expediting the digital transformation of the energy and chemical engineering industry, and propelling the industry towards the development of intelligence, remote-control technology and automation. New technology empowers traditional industry while significance of application of Digital Twin, Industrial Internet of Things (IoT), cloud computing, artificial intelligence and other high and new technology in the EPC engineering industry is growing.

In regards to the momentous shift in the industry and market environment and based on the Company's business development strategies and market changes, the Group will continuously push forward and improve reorganization plans for talents and organizational structure to inspire the potential of staff at all levels. The Group will also enhance synergy among departments and systems to further showcase Wison Engineering's capabilities of refined management, swift and flexible operating mechanism and efficient innovation. Upholding its operation tenet of "integrity-oriented, customer-oriented, innovation-oriented, achieving mutual success in harmony" (誠信為本、客户為尊、創新為要、和諧共贏), Wison Engineering will promptly respond to market demand, capitalize on new market opportunities, deepen innovation in technology development and management, and strengthen its core technology and design capability on a sustainable basis through research and development of proprietary technology and technology licensing cooperation, meanwhile implementing refined management and enhancing the quality of its engineering works and services. In addition, the Group will also step up its effort in technological research and development for digitalization and intelligence to increase the core competitiveness of the Company.

(1) Building on local market and grasping new opportunities in domestic market, while committed to the internationalisation strategy

Regarding market expansion, the Group upholds the strategy of building on local market and expanding into the international market.

In respect of the domestic market, despite the market forecast that the demand for crude oil in China will slow down in 2020, with significant slowdown in the first quarter, yet China will remain the world's biggest growth driver. Following a series of policies concerning opening up and reform, domestic oil and gas, petrochemical and coal-to-chemical markets will continue to push forward the rapid growth of the domestic market. In 2019, the government successively promulgated the Opinions on Creating a Better Development Environment to Support the Reform and Development of Private Enterprises (關於營造更好發展環境支持民營企業改革發展的意見) and the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition) to further open oil and gas industries to private and foreign enterprises. The huge potential in the Chinese market has attracted numerous major domestic private enterprises and renowned international oil and petrochemical companies to actively establish their presence. Therefore, as an engineering Company rooted and bred in China, Wison Engineering will be attaching great importance to and actively expanding Chinese market.

By closely grasping domestic market opportunities, Wison Engineering officially established "Strategic Growth Center" in June 2019, the major function of which is to strengthen the management of mid-to-long-term strategic clients of "foreign-funded companies in China" and systemically develop key customers with strategic value to aim new quality opportunities. Since the establishment of the Strategic Growth Center and leveraging its advantages of, among others, extensive internationalization experience, standardized service procedures and differentiated service values, Wison Engineering has successively gained recognition from a number of well-known foreign enterprises such as Evonik, Covestro and Ineos and has been awarded various types of contract orders such as EPCM, FEED and engineering design.

In respect of international market, Wison Engineering will develop market strategies based on the characteristics of different regional markets. In well-developed markets such as North America and the Middle East, where competition from major engineering companies worldwide is fierce, Wison Engineering will expand such markets by leveraging its advantages such as cost and construction period control so as to build up a leading brand image for the Group in the international market. In emerging markets such as Russia and Southeast Asia, where energy and chemical markets will rapidly develop in the near future with diversified development opportunities and the competition is not as fierce as that of well-developed markets, Wison Engineering will leverage its differentiated and distinct advantages of management experience of core technology projects and provision of assistance in obtaining financing to expand markets and hence increasing profitability. In Africa and other potential markets where market demand will gradually rise in the future and growth potential is immense, Wison Engineering is only deploying such market at current stage and will map out long-term plans based on the development needs of the market so as to lay a foundation for expanding future businesses.

On the other hand, leveraging on its advantages in terms of modularization, digitalization, project execution, project management and financing capabilities, Wison Engineering will consistently enhance its competiveness in overseas markets by enhancing the establishment of overseas marketing team. In order to respond to the needs of different target markets and customers more effectively, Wison Engineering has established designated departments such as "Emerging Market Department" and "Major Customer Department". The "Emerging Market Department" will focus on new opportunities in Africa and South America and is expected to expand new markets for the Company, while the "Major Customer Department" will be committed to further cooperation with giants in the oil, gas and petrochemical industries as well as consistently keeping track of and exploring business opportunities of major international customers, with a view to pushing forward Wison Engineering to achieve new milestones.

(2) Accelerating the implementation of digitalization and modularization to build a technical engineering service enterprise

The outbreak of major public health incident has enabled energy and chemical industries to be deeply aware of the importance of technology and Wison Engineering is more determined to develop its digitalization and smart technology. In terms of petrochemical energy engineering industry, digitalization and smart technology will change the operational and work model of the industry. With digitalization and smart technology and by using tools and methods such as big data, in-depth computing and non-mechanism modeling identification, various smart elements will be applied in EPC engineering and management sectors such as process computing, model design and selection, rule application, experience exchange, compliance testing, procurement reference, logistics tracking, material management, engineering guidance, proposal enhancement, quality supervision and emergency training, which has significantly improved the work synergy and efficiency. In terms of the operation of petrochemical energy factory, the application of smart factories will be valuable in five major aspects, namely supply chain optimization, simulation and optimization during production process, lean practice control, all life cycle asset management and 3D-based visualized management. The operation of smart factories will focus on the core concept of Digital Twin which is conducive to enhancing the market, process and production effectiveness of the enterprise, offering the optimal operation cycle and visualized convenience to the owners. Digital Twin will contribute to shared corporate social economy.

With the technological development and amid the rapidly-changing market, the scenario and value of modularization in the energy chemical engineering industry will consistently increase. And with the optimization of design, manufacturing and transportation technologies, modularized production has entered a new stage where it can be applied to projects with more complexity, larger in scale and longer in distance. Through optimized design and refined layout, more on-site fabrication work of steel structure, pipes and electrical instruments can be transferred to module processing plants so as to further increase work efficiency and reduce costs and strengthen the control over the project safety and progress. Impacted by the trade tariffs, cost advantages of modularized manufacturing in overseas markets may be undermined. However, the clear advantage of modularization on project construction period and quality control can continuously bring a large amount of additional value to the owners. The application of modularization still has an immense development potential. If international trade relationship alleviates, the advantage of modularized manufacturing will be far more valuable in the future.

Wison Engineering believes that "technology-driven development", digitalization and smart technology as well as modularization will become the future core competitive edges of engineering companies. Through further collaborations with tertiary institutions and leading enterprises, the Group will continue to strengthen research and development in digitalization and smart technology as well as modularization technologies with a view to setting a new benchmark in the industry.

(3) Establishing a business ecosystem, diversifying development through expansion along the industry

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

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

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2019. 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 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**4,367,271**	3,256,478
Cost of sales		**(3,959,044)**	(2,757,606)
GROSS PROFIT		**408,227**	498,872
Other income and gains	4	**293,850**	202,614
Selling and distribution expenses		**(132,916)**	(107,521)
Administrative expenses		**(288,774)**	(377,737)
Reversal of impairment losses on financial and contract assets		**8,312**	8,648
Other expenses		**(176,024)**	(118,537)
Finance costs	5	**(22,719)**	(33,790)
Share of profit and loss of an associate		**(181)**	190
PROFIT BEFORE TAX	6	**89,775**	72,739
Income tax	7	**(39,217)**	(12,786)
PROFIT FOR THE YEAR		**50,558**	59,953
Attributable to:			
Owners of the parent		**50,609**	56,301
Non-controlling interests		**(51)**	3,652
		50,558	59,953
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic		**RMB1.24 cents**	RMB1.38 cents
— Diluted		**RMB1.24 cents**	RMB1.37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**50,558**	59,953
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,459)**	8,813
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(2,459)**	8,813
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(9,297)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(9,297)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	**(11,756)**	8,813
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**38,802**	68,766
Attributable to:		
Owners of the parent	**38,853**	65,348
Non-controlling interests	**(51)**	3,418
	38,802	68,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in RMB)

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**851,409**	877,691
Investment property		**11,098**	11,747
Right-of-use assets		**165,163**	–
Prepaid land lease payments		**–**	149,032
Goodwill		**15,752**	15,752
Intangible assets		**31,515**	32,101
Investments in associates		**7,587**	1,468
Equity investments designated at fair value through other comprehensive income		**311,391**	–
Long-term prepayments		**2,202**	7,948
Deferred tax assets		**36,848**	35,375
Total non-current assets		**1,432,965**	1,131,114
CURRENT ASSETS			
Inventories		**126,859**	46,804
Trade receivables	*10*	**1,003,866**	1,338,735
Bills receivable		**214,352**	180,360
Contract assets		**690,354**	612,789
Prepayments and other receivables		**510,530**	395,511
Financial asset at fair value through profit or loss		**112,734**	–
Due from fellow subsidiaries		**14,665**	168,918
Pledged bank balances and time deposits	*11*	**800,388**	943,028
Cash and bank balances	*11*	**814,251**	932,086
Total current assets		**4,287,999**	4,618,231
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,051,091**	2,550,425
Other payables and accruals		**839,577**	1,007,822
Interest-bearing bank and other borrowings		**304,780**	245,934
Lease liabilities		**4,686**	–
Due to fellow subsidiaries		**79,276**	37,087
Due to an associate		**630**	630
Tax payable		**176,446**	146,489
Total current liabilities		**3,456,486**	3,988,387
NET CURRENT ASSETS		**831,513**	629,844
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,264,478**	1,760,958

	Notes	**2019** *RMB'000*	2018 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**447,220**	–
Lease liabilities		**8,534**	–
Deferred tax liabilities		**720**	6,444
Government grants		**4,377**	4,695
Total non-current liabilities		**460,851**	11,139
NET ASSETS		**1,803,627**	1,749,819
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**330,578**	330,299
Share premium		**869,201**	861,129
Other reserves		**603,899**	558,391
		1,803,678	1,749,819
Non-controlling interests		**(51)**	–
Total equity		**1,803,627**	1,749,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with 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 except for equity investments which have been measured at fair value.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 2019. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

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

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

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

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

	RMB'000
Operating lease commitments as at 31 December 2018	19,137
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	10,553
	8,584
Weighted average incremental borrowing rate as at 1 January 2019	5.24%
Discounted operating lease commitments as at 1 January 2019	7,007
Lease liabilities as at 1 January 2019	7,007

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

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, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, investment property, prepaid land lease payments, right-of-use assets, goodwill, intangible assets, investments in associates, deferred tax assets, long-term prepayments, amounts due from fellow subsidiaries, prepayments and other receivables, equity investments designated at fair value through other comprehensive income, financial asset at fair value through profit or loss, 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, amounts due to fellow subsidiaries, an amount due to an associate, tax payable, lease liabilities, 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 2019	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**4,201,633**	**165,638**	**4,367,271**
Intersegment sales	**55,852**	**22,209**	**78,061**
Total revenue	**4,257,485**	**187,847**	**4,445,332**
Reconciliation:			
Elimination of intersegment sales			**(78,061)**
Revenue			**4,367,271**

Year ended 31 December 2019	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment results	**373,799**	**34,428**	**408,227**
Reconciliation:			
Unallocated income			**293,850**
Unallocated expenses			**(589,402)**
Unallocated finance costs			**(22,719)**
Share of profit and loss of an associate			**(181)**
Profit before tax			**89,775**
Segment assets	**2,418,476**	**94,858**	**2,513,334**
Reconciliation:			
Elimination of intersegment receivables			**(80,109)**
Corporate and other unallocated assets			**3,287,739**
Total assets			**5,720,964**
Segment liabilities	**2,613,081**	**55,882**	**2,668,963**
Reconciliation:			
Elimination of intersegment payables			**(81,348)**
Corporate and other unallocated liabilities			**1,329,722**
Total liabilities			**3,917,337**
Other segment information			
Share of profit and loss of an associate — Unallocated			**(181)**
Impairment losses reversed in the statement of profit or loss			**8,312**
Depreciation and amortisation — Unallocated			**69,967**
Investments in associates — Unallocated			**7,587**
Capital expenditure* — Unallocated			**32,819**

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

Year ended 31 December 2018	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	3,072,348	184,130	3,256,478
Intersegment sales	77,760	9,323	87,083
Total revenue	3,150,108	193,453	3,343,561
Reconciliation:			
Elimination of intersegment sales			(87,083)
Revenue			3,256,478
Segment results	432,491	66,381	498,872
Reconciliation:			
Imputed interest income from an EPC contract	11,529	–	11,529
Interest on discounted letters of credit	(11,529)	–	(11,529)
Unallocated income			191,085
Unallocated expenses			(595,147)
Unallocated finance costs			(22,261)
Share of profit and loss of an associate			190
Profit before tax			72,739
Segment assets	2,494,643	81,864	2,576,507
Reconciliation:			
Elimination of intersegment receivables			(53,486)
Corporate and other unallocated assets			3,226,324
Total assets			5,749,345
Segment liabilities	3,201,821	141,287	3,343,108
Reconciliation:			
Elimination of intersegment payables			(53,549)
Corporate and other unallocated liabilities			709,967
Total liabilities			3,999,526

Year ended 31 December 2018	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Other segment information			
Share of profit and loss of an associate			
— Unallocated			190
Impairment losses reversed in the statement of profit or loss			8,648
Depreciation and amortisation			
— Unallocated			55,678
Investment in an associate			
— Unallocated			1,468
Capital expenditure*			
— Unallocated			39,223

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

<u>Geographical information</u>

Revenue from external customers

	2019 ***RMB'000***	2018 *RMB'000*
Mainland China	**1,937,970**	2,174,674
America	**1,929,009**	832,636
Middle East	**482,832**	208,741
Other	**17,460**	40,427
	4,367,271	3,256,478

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.

<u>Information about major customers</u>

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

	2019	2018
Customer A (EPC segment)	**40.0%**	13.5%
Customer B (EPC segment)	**21.4%**	N/A
Customer C (EPC segment)	**N/A**	38.2%

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**4,367,271**	3,256,478

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Type of goods or services			
Construction services	**4,201,633**	**–**	**4,201,633**
Design, feasibility research, consulting and technical services	**–**	**165,638**	**165,638**
Total revenue from contracts with customers	**4,201,633**	**165,638**	**4,367,271**
Geographical markets			
Mainland China	**1,815,408**	**122,562**	**1,937,970**
America	**1,903,393**	**25,616**	**1,929,009**
Middle East	**482,832**	**–**	**482,832**
Others	**–**	**17,460**	**17,460**
Total revenue from contracts with customers	**4,201,633**	**165,638**	**4,367,271**
Timing of revenue recognition			
Services transferred over time	**4,201,633**	**165,638**	**4,367,271**

For the year ended 31 December 2018

Segments	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Type of goods or services			
Construction services	3,072,348	–	3,072,348
Design, feasibility research, consulting and technical services	–	184,130	184,130
Total revenue from contracts with customers	3,072,348	184,130	3,256,478
Geographical markets			
Mainland China	2,016,658	158,016	2,174,674
America	824,004	8,632	832,636
Middle East	208,741	–	208,741
Others	22,945	17,482	40,427
Total revenue from contracts with customers	3,072,348	184,130	3,256,478
Timing of revenue recognition			
Services transferred over time	3,072,348	184,130	3,256,478

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

For the year ended 31 December 2019

Segments	**EPC** ***RMB'000***	**Engineering, consulting and technical services** ***RMB'000***	**Total** ***RMB'000***
Revenue from contracts with customers			
External customers	**4,201,633**	**165,638**	**4,367,271**
Intersegment sales	**55,852**	**22,209**	**78,061**
	4,257,485	**187,847**	**4,445,332**
Intersegment adjustments and eliminations	**(55,852)**	**(22,209)**	**(78,061)**
Total revenue from contracts with customers	**4,201,633**	**165,638**	**4,367,271**

For the year ended 31 December 2018

Segments	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	3,072,348	184,130	3,256,478
Intersegment sales	77,760	9,323	87,083
	3,150,108	193,453	3,343,561
Intersegment adjustments and eliminations	(77,760)	(9,323)	(87,083)
Total revenue from contracts with customers	3,072,348	184,130	3,256,478

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**444,644**	381,042
Design, feasibility research, consulting and technical services	**11,004**	26,516
	455,648	407,558

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is separated in stages upon reaching certain pre-agreed milestones set forth in the agreement which is generally due within 30 days from the date of billing and payment. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Provision of design, feasibility research, consulting and technical services

The performance obligation is satisfied over time as services are rendered and payment is generally separated in stages upon reaching certain pre-agreed milestones set forth in the agreement and short-term advances are normally required before rendering the services.

	2019	2018
	RMB'000	*RMB'000*
Other income		
Government grants*	**105,898**	26,111
Bank interest income	**24,993**	19,693
Dividend income from equity investments at fair value through other comprehensive income	**4,726**	–
Other interest income from financial assets at fair value through profit or loss	**69**	–
Rental income	**97,068**	111,994
Insurance indemnities	**37,546**	–
Others	**323**	7,571
	270,623	165,369
Gains		
Fair value gains, net:		
Financial asset at fair value through profit or loss — mandatorily classified as such, including those held for trading	**23,227**	–
Foreign exchange gains	**–**	11,678
Gain on disposal of a subsidiary	**–**	25,567
	23,227	37,245
	293,850	202,614

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**22,083**	15,693
Interest on lease liabilities	**636**	–
Interest on discounted bills and letters of credit	**–**	18,097
	22,719	33,790

6. PROFIT BEFORE TAX

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

	Note	2019 RMB'000	2018 RMB'000
Cost of services provided*		**3,959,044**	2,757,606
Depreciation of property, plant and equipment and investment properties		**53,455**	47,450
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)		**10,914**	4,037
Research and development costs		**131,682**	101,998
Amortisation of intangible assets		**5,598**	4,191
Government grants		**(105,898)**	(26,111)
Provision/(reversal) of impairment of financial and contract assets, net			
Impairment of trade receivables, net	*10*	**34,042**	74,490
Impairment of contract assets, net		**(42,648)**	(82,986)
Impairment of other receivables, net		**294**	(152)
Gain on disposal of a subsidiary		**–**	(25,567)
Loss on disposal of items of property, plant and equipment		**269**	–
Loss on disposal of items of intangible assets		**–**	137
Lease payments not included in the measurement of lease liabilities		**19,869**	–
Fair value gains, net:			
Financial asset at fair value through profit or loss mandatorily classified as such, including those held for trading		**(23,227)**	–
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**522,600**	477,750
Retirement benefit scheme contributions		**66,679**	54,421
Equity-settled share option expenses		**30,038**	60,837
		619,317	593,008
Foreign exchange differences, net		**3,375**	(11,678)

* Amounts of RMB307,894,000 and RMB216,468,000 of employee benefit expenses were included in cost of services provided during the years ended 31 December 2019 and 2018.

7. INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Current		
— Mainland China	**–**	–
— Elsewhere	**46,414**	4,432
Deferred	**(7,197)**	8,354
Total tax charge for the year	**39,217**	12,786

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong, Indonesia, Turkey, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, Turkey, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore during the year ended 31 December 2019 (2018: 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 for the "High and New Technology Enterprise" qualification and obtained the certification on 23 October 2017 which was effective for another three years from 1 January 2017. Accordingly, Wison Engineering was subject to CIT at a rate of 15% for the years ended 31 December 2019 and 2018.

Wison Petrochemicals (NA), LLC is subject to federal income tax at a rate of 21% and state income tax at a rate of 0.75%.

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

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

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**89,775**	72,739
Tax at the statutory tax rates	**27,301**	11,299
Lower tax rate enacted by local authority	**(1,202)**	1,579
Tax losses not recognised	**14,722**	10,415
Tax losses utilised from previous periods	**(1,271)**	(2,742)
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	**12,750**	3,653
Additional tax deduction	**(14,814)**	(11,291)
Income not subject to tax	**(790)**	(1,922)
Expenses not deductible for tax	**2,521**	1,795
Tax charge at the Group's effective rate	**39,217**	12,786

The share of tax attributable to an associate amounting to RMB10,000 (2018: RMB14,000) is included in "Share of profit and loss of an associate" in the consolidated statement of profit or loss.

8. DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
Final — HK$0.005 (2018: Nil) per ordinary share	**17,366**	–
Interim — Nil (2018: HK$0.0007) per ordinary share	**–**	2,494
One-off — Nil (2018: HK$0.0666) per ordinary share	**–**	237,287
	17,366	239,781

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 4,072,111,174 (2018: 4,069,112,331) in issue during the year.

The calculation of the diluted earnings per share amount 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**50,609**	56,301
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,072,111,174**	4,069,112,331
Effect of dilution-weighted average number of ordinary shares	**19,776,648**	36,810,922
	4,091,887,822	4,105,923,253

10. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,153,971**	1,454,798
Impairment	**(150,105)**	(116,063)
	1,003,866	1,338,735

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are 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 loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade receivables:		
Within 1 month	**199,283**	227,440
2 to 12 months	**217,769**	440,396
Over 1 year	**586,814**	670,899
	1,003,866	1,338,735

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**116,063**	41,573
Impairment losses, net *(note 6)*	**34,042**	74,490
At end of year	**150,105**	116,063

The increase (2018: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Decrease in the loss allowance of RMB16,828,000 (2018: RMB11,000,000) as a result of a net decrease (2018: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables; and

(ii) Increase in the loss allowance of RMB50,870,000 (2018: RMB85,490,000) as a result of an increase in trade receivables which were over credit term.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Ageing				
	Less than 1 year	**1 to 2 year**	**2 to 3 year**	**Over 3 years**	**Total**
Expected credit loss rate	**8.56%**	**10.49%**	**18.25%**	**99.76%**	**13.01%**
Gross carrying amount *(RMB'000)*	**456,086**	**499,679**	**170,622**	**27,584**	**1,153,971**
Expected credit losses *(RMB'000)*	**39,034**	**52,414**	**31,139**	**27,518**	**150,105**

As at 31 December 2018

	Ageing				
	Less than 1 year	1 to 2 year	2 to 3 year	Over 3 years	Total
Expected credit loss rate	0.12%	11.03%	47.46%	100.00%	7.98%
Gross carrying amount *(RMB'000)*	668,612	754,007	59	32,120	1,454,798
Expected credit losses *(RMB'000)*	776	83,139	28	32,120	116,063

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

	2019	2018
	RMB'000	*RMB'000*
Related companies		
泰興天馬化工有限公司	**72,516**	73,575
泰興博惠環保科技發展有限公司	**61,420**	–
	133,936	73,575

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**1,192,508**	1,375,186
Time deposits with original maturity of less than three months	**14,380**	127,799
Time deposits with original maturity of more than three months	**407,751**	372,129
	1,614,639	1,875,114
Less: Pledged bank balances and time deposits	**(800,388)**	(943,028)
Cash and cash equivalents	**814,251**	932,086

At 31 December 2019, bank balances and time deposits of RMB561,310,000 (2018: RMB700,449,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2019, bank balances and time deposits of RMB32,208,000 (2018: RMB2,169,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 31 December 2019, bank balances and time deposits of RMB147,381,000 (2018: RMB240,410,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2019, bank balances and time deposits of RMB2,605,000 (2018: Nil) were pledged to a bank as security for forward foreign exchange contracts.

At 31 December 2019, bank balances of RMB56,884,000 (2018: Nil) were pledged to a bank as security to obtain a bank facility.

At 31 December 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB786,429,000 (2018: RMB956,845,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

12. 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:

	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**783,735**	900,923
1 to 2 years	**138,217**	1,272,588
2 to 3 years	**917,125**	228,922
Over 3 years	**212,014**	147,992
	2,051,091	2,550,425

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

13. SHARE CAPITAL AND RESERVES

Shares

	2019	2018
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	**4,073,767,800**	4,070,608,200

	2019	2018
	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	**330,578**	330,299

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 2018	4,066,566,200	329,968	850,993	1,180,961
Share options exercised	4,042,000	331	10,136	10,467
At 31 December 2018 and 1 January 2019	**4,070,608,200**	**330,299**	**861,129**	**1,191,428**
Share options exercised	**3,159,600**	**279**	**8,072**	**8,351**
At 31 December 2019	**4,073,767,800**	**330,578**	**869,201**	**1,199,779**

The subscription rights attaching to 3,159,600 share options were exercised at the subscription price of HK$0.837 per share, resulting in the issue of 3,159,600 shares for a total cash consideration, before expenses, of HK$2,645,000 (equivalent to RMB2,334,000) and a share premium of HK$2,329,000 (equivalent to RMB2,055,000). An amount of RMB6,017,000 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 2019.

FINAL DIVIDEND

The board of directors of the Company recommends a final dividend of RMB0.0037 (equivalent to HK$0.0040) per ordinary share for the year ended 31 December 2019.

The Company plans to convene the annual general meeting on Thursday, 18 June 2020. Subject to the passing of the relevant resolution at the annual general meeting, the final dividend will be paid in Hong Kong dollars based on the exchange rate of HK$1.00 to RMB0.91553, being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 20 March 2020. The final dividend will be paid on or around 15 July 2020 to shareholders whose names appear on the Register of Members of the Company on 26 June 2020.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Subject to the resolution approving the final dividend being passed at the annual general meeting, the Register of Member of the Company will be closed form 24 June 2020 to 26 June 2020 (both days inclusive), for the purpose of determining shareholders' entitlements to the final dividend. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 23 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, 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 2019.

SUBSEQUENT EVENTS

The novel coronavirus epidemic

In 2020, the worldwide epidemic outbreak has been casting more uncertainties to various economies around the world as well as significantly limiting international long distance travels and business exchanges. In view of the development of the epidemic, the Group rolled out a number of adjustment measures accordingly. The headquarters of the Company adjusted its post-Lunar New Year work arrangements, pursuant to which, employees resumed work one week later than past years. A flexible working arrangement was also adopted with a combination of work from home and work in office during the first three weeks after the work resumption. As affected by the epidemic, the Company's domestic projects under development also experienced delays in both the schedule for commencement of work and construction progress. However, works have gradually resumed normal now and overtime works have been arranged to push ahead with the progress. Most of the domestic and overseas business trips have been cancelled under the influence of the epidemic. Instead, communication was maintained by way of remote conferences or relying on business exchanges between colleagues based at the local branch of the Group and customers. In response to the impact of the epidemic, the Chinese government has launched a series of supportive and preferential policies. The Company is now actively applying for some of the policies for which it has met the conditions in accordance with the requirements under the policies.

Abrupt downward adjustment of international crude oil prices

Since March 2020, there was an abrupt downward adjustment of international crude oil prices, which has brought a huge impact on the global energy market and financial market. The Company is now closely monitoring and studying the impact on the industry. Based on previous industry experience, stable and appropriate crude oil prices will be conducive to the healthy development of the upstream and downstream of the energy and chemical industry. However, the influence of changes in oil prices on the upstream and downstream industry varies. In general, the decrease in crude oil prices will be unfavourable to the upstream energy industry, but for the oil-refining industry and the chemical industry which uses oil as the key raw material, as the reduction in cost will bring higher profit margins, some of the sub-segments may record a growth. The current movement of crude oil price, especially when coupled with the impact of the novel coronavirus epidemic, brings uncertainty to future macro-economy and the industry trend. The Group will constantly pay attention to the changes in various circumstances and adopt responsive measures accordingly.

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 2019.

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 2019 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, 24 March 2020

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; the non-executive Director of the Company is Mr. Liu Hongjun; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.