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WISON ENGINEERING SERVICES CO. LTD.

惠生工程技術服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2236)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

HIGHLIGHTS:

- Our revenue for the year ended 31 December 2021 amounted to approximately RMB6,279,549,000, representing an increase of 18.6% from approximately RMB5,296,064,000 recorded in 2020.
- Our gross profit for the year ended 31 December 2021 amounted to approximately RMB458,797,000, representing an increase of 52.3% from approximately RMB301,202,000 recorded in 2020.
- Our loss for the year ended 31 December 2021 amounted to approximately RMB92,839,000, representing a significant decrease of 65.8% from loss for the year of approximately RMB271,511,000 recorded in 2020.
- Loss attributable to owners of the parent for the year ended 31 December 2021 amounted to approximately RMB92,611,000, representing a significant decrease of 65.9% from loss attributable to owners of the parent of approximately RMB271,238,000 recorded in 2020.
- Our total new contract value (net of estimated value added tax) for the year ended 31 December 2021 amounted to approximately RMB6,414,042,000, representing a decrease of 39.8% from approximately RMB10,657,186,000 recorded in the corresponding period in 2020.
- Our total backlog value (net of estimated value added tax) as at 31 December 2021 amounted to approximately RMB25,529,301,000, representing a decrease of 6.0% from approximately RMB27,172,942,000 recorded as at 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Wison Engineering Services Co. Ltd. (“**Wison Engineering**” or the “**Company**”) is pleased to announce annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with selected explanatory notes and the relevant comparative figures for 2020.

In this announcement, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group.

REVIEW OF 2021 ANNUAL RESULTS AND OUTLOOK

MARKET AND RESULTS OVERVIEW

In 2021, upholding the strategy of “driven by innovations, focused on principal operations and establishing global presence”, Wison Engineering gave full play to the rapid and flexible mechanism of a private enterprises, and moved forward with a pragmatic and pioneering attitude, calmly responded to market changes and the impact of the epidemic, and maintained a steady momentum of development. During the period under review, the Company continued to optimize its organizational structure, implement refined management, strengthen risk control, enhance its digital and modular capabilities, and consolidate its core competitiveness. In the face of new challenges and opportunities, the Company was deeply engaged in the field of energy and chemical engineering, continuously improving operation and management benefits and creating values for customers; at the same time, it increased technological research and development and cooperation in the field of new energy and new materials, so as to seize the opportunity to open up new markets and strive to move forward with the vision of creating a “world-class energy and chemical engineering company”.

During the period under review, governments stepped up efforts to promote vaccination, lifted entry and exit restrictions, and implemented economic revitalization measures. The world economy showed a significant recovery. Although the economic growth of some developing countries is still affected by the epidemic, major economies such as the United States (the “**U.S.**”) and China continue to play a leading role. Moreover, with the gradual control of the epidemic and the gradual release of energy demand from the economic recovery of various countries, the upward trend in international oil prices has led to a rise in prices throughout the refining and chemical industry chain, which has improved the profitability of refining and chemical enterprises. In addition, coal prices rose repeatedly in 2021 and hit a record high in the fourth quarter, driving the prices of many varieties of coal chemical industry to continue to rise.

In 2021, China remained the locomotive of the global economy and energy and chemical markets. The domestic epidemic control achieved remarkable results, accelerating the resumption of work and production, and strong exports drove economic growth of 8.1% for the year. China's economic recovery boosted demand for energy and chemical markets, and energy and chemical production increased steadily. Moreover, China resolutely implemented the "carbon peak, carbon neutrality" policy and strictly approved the addition of production capacity in the petrochemical industry, so that oil refining was more oriented towards the development of chemical products. At the same time, China facilitated the elimination of backward production capacity, promoted advanced technology and factory transformation and upgrading, and encouraged accelerated application of new energy such as hydrogen energy, wind power and photovoltaic, and technological research and development of new materials such as degradable plastics. In addition, the path to the realization of the "double carbon" goal is gradually clear. The Central Economic Work Conference pointed out that the new renewable energy and raw material energy consumption will not be included in the total energy consumption control. The relevant policies would help ease the constraints on the energy consumption of chemical raw materials and release the industry capital expenditure, promoting the optimal combination of coal and new energy and bringing new opportunities to the engineering service market.

During the period under review, the Group recorded a revenue of approximately RMB6,279.5 million (the year ended 31 December 2020: approximately RMB5,296.1 million), up 18.6% year on year; gross profit of approximately RMB458.8 million (the year ended 31 December 2020: approximately RMB301.2 million), up 52.3% year on year; loss attributable to owners of the parent company of approximately RMB92.6 million (the year ended 31 December 2020: loss attributable to owners of the parent company was approximately RMB271.2 million). In 2021, the Group received new contracts with a total value of approximately RMB6,414.0 million (net of estimated VAT), a decrease of 39.8% year on year. As at 31 December 2021, the total value of the Company's outstanding contracts was approximately RMB25,529.3 million (net of estimated VAT), a decrease of 6.0% from the total value of outstanding contracts as at 31 December 2020.

The Group entered into a PPP project with a customer in respect of Comprehensive Development of Zhongshan Industrial Platform (People's Park). So far the customer has not yet confirmed the date for the commencement of the project. Based on prudent considerations, the relevant contract amount of RMB600.0 million has been excluded in the total current backlog of the Group.

BUSINESS AND OPERATIONS REVIEW

Focusing on Principal Business to Cement Energy and Chemical Markets

During the period under review, Wison Engineering continued to consolidate its core business market, maintaining a leading position in traditional hit products such as ethylene, cracking furnace, propane dehydrogenation (PDH), coal gasification, methanol to olefin (MTO), synthetic stop and melamine. At the same time, by actively exploring emerging fields, strengthening the research and development of new energy and new material technologies, and accelerating the development of new markets, Wison Engineering made continuous breakthroughs in the oxidative dehydrogenation of ethane (ODHE) to ethylene, degradable plastics (PGA), and methyl methacrylate (MMA), Methylcyclohexane (MCH), hydrogen energy, green coal chemical industry, butadiene process technology and catalysts.

The Company made significant progress in the efficient and smooth implementation of a number of projects:

Shandong Jinhai Chemical's 1 million-ton/year light hydrocarbon comprehensive utilization project: The project entered the peak period of pipeline construction, and completed the installation of civil engineering, steel structure and equipment. Currently, the installation of process pipelines and electrical instruments is underway, and 83% of the project progress has been completed;

Fujian Shenyuan's Phase II project for hydrogen production using synthetic ammonia: The project installation work was completed, pipeline pressure test, single-machine commissioning and system handover work are being carried out, and it is expected to be put into operation in the first half of 2022;

Shandong Binhua New Materials' Carbon III and Carbon IV comprehensive utilization project PDH devices: The project installation work was completed, pipeline pressure test and single-machine commissioning work are being carried out;

Yangmei Qilu First Chemical Fertilizer Plant's synthesis gas project: 90% model review in the detailed design of the project was completed. The construction of civil engineering and equipment structure frame was completed. Large-scale equipment has the conditions for shipment, and 31% of overall project progress was completed;

Henan Shenma's plain coal hydrogen ammonia project: 30% of model review was completed, pile foundation construction was commenced on site on 10 December 2021, long-term equipment procurement was fully launched, and the project is planned to be completed in July 2023;

American AP synthetic ammonia project: The project has completed the release of underground and pile foundation construction drawings and 90% model review in October 2021. The module prefabrication work including 14 process modules and 2 pipe gallery modules are fully launched.

Middle East's DPCU project: The project implementation was fully launched, 60% work package of the detailed design was submitted to the owner for review, 55% of the long-term equipment procurement was completed, and the module manufacturer was selected. Temporary facilities on site are ready for operation and the project is expected to be completed in the fourth quarter of 2023.

Thailand's natural gas hydrogen production project: The project was carried out as planned, the detailed design met the conditions for 30% model review, the long-term equipment procurement was fully launched, and the conversion furnace procurement contract was signed. The project is planned to be put into operation in January 2024.

Continuing to Enhance Project Management Competence

During the period under review, Wison Engineering continued to focus on the strategic goals of driven by innovations (technology engineering), focused on principal operations (chemical energy), and establishing global presence (domestic and foreign), strengthened the pre-project planning, and continuously improved the project management through refined management capability, strengthened contract management and risk control, and optimized management systems and processes. Each project under construction achieved good results in terms of Quality, Health, Safety and Environment (“QHSE”) targets, sales revenue, profits, and progress. In the process of project implementation, the Company improved the support and management of functional departments for the project by giving early warning of and implementing control of various risks in advance to ensure that the project achieved various goals on schedule. The Company also attached importance to the team building of project management talents by training 40 young backbones as project managers, carrying out a series of project management training, and establishing a project management force echelon.

Extraordinary Performance Achievement in QHSE

During the period under review, the Company continued to strengthen the management of QHSE, especially in the situation of normalization of the epidemic, by concurrent performance of epidemic prevention and production, development of different epidemic prevention strategies according to different situations at home and abroad, and implementation of various epidemic prevention measures. We continued to strengthen the concept of QHSE for all employees, upgraded the project QHSE management module, promoted suppliers, construction subcontractors and strategic partners to jointly build a management system, and improved the emergency management and handling capacity for various emergencies such as epidemic

situation and extreme weather conditions in various regions. We continuously promoted the standardization of project QHSE and facilitated the implementation of model projects/special processes to present the brand image of Wison Engineering's QHSE.

In 2021, the QHSE management of Wison Engineering was stable and orderly, and a total of 21 million safe man-hours for domestic and foreign projects were realized throughout the year. Wison Engineering delivers high-quality projects to customers as its own responsibility. With excellent quality and safety management, the Company has won many awards for its projects. The provincial and ministerial industry awards include: the "High-quality Excellent Project in Chemical Industry" award for Zhejiang Petrochemical 2# 1.4 million tons/year ethylene project, which is contracted by Wison Engineering; and the recognition of "High-quality Project in Chemical Industry" for each of Wison (Taizhou) New Materials' project and Zhejiang Dushan Energy Co., Ltd.'s 2.2 million tons/year PTA project (Phase II). In addition, Zhejiang Petrochemical's Phase II project won "Advanced Construction Unit of Quality" and "Advanced Construction Unit of HSE Management"; Shandong Binhua's project won "Advanced Unit of HSE Management" and "Winning Unit of 100-Day Battle"; Middle East's STC project won the safe green flag of Saudi Basic Industry Corporation ("SABIC") and realized 7 million safe man-hours; and SIPCHEM hydrogen project realized 500,000 safe man-hours.

Establishing Global Presence for Full Exploration of Domestic and International Markets

With the gradual control of the epidemic and the steady recovery of the international economy, energy demand has gradually increased, crude oil prices have continued to fluctuate upward, demand for oil and gas products and chemicals has continued to rise, and domestic energy and chemical investment has been picking up. Wison Engineering adheres to the strategy of "establishing global presence" and implements the globalization strategy "home and abroad". During the period under review, the total amount of newly signed contracts was RMB6.41 billion, down 39.8% year on year, of which the total amount of newly signed contracts in China was RMB5.62 billion and that in foreign countries was about RMB0.79 billion.

In the domestic market, Wison Engineering focused on principal operations by strengthening the core products, locking in key customer business opportunities, and improving the quality of orders. During the period under review, the Company continued to give full play to the competitive advantages of core products of petrochemical and coal chemical industries, and won a number of hit product projects such as the Engineering, procurement and construction ("EPC") general contract for Qilu First Chemical Fertilizer Plant's synthesis gas project, the EPC general contract for CNOOC Huizhou Petrochemical's gasifier addition project, the general contract for Henan Shenma's coal gasification and hydrogen and ammonia production units, Xinjiang Xinlianxin's melamine contract, Xinjiang Yihua's melamine contract, Guoheng Chemical's PDH cracking furnace project and Donghua Energy's PDH cracking furnace project.

While exploring new customers, we strengthened close cooperation with long-term high-quality customers such as Wanhua, Dongming, Binhua, Chengzhi and Huayi to actively develop secondary business opportunities.

At the same time, Wison Engineering also continued to cultivate new hit products, especially in the fields of new energy and new materials. During the period under review, the general contract of Xinjiang Weigerui's PBAT project and the general contract of Qingdao Sanli's MMA project were signed.

In addition, the Company attached great importance to the pre-consulting business, with a record of 33 consultation orders in 2021, laying the foundation for future follow-up design and EPC general contracting projects.

Foreign customers' investment projects in China are also the key targets of Wison Engineering. During the period under review, the Company focused on tracking and actively participating in domestic investment project opportunities of BASF, SABIC, SHELL, COVESTRO and other multinational enterprises.

In overseas markets, Wison Engineering has deeply cultivated for many years by accumulating rich project experience and establishing good partnership with many international engineering companies and suppliers, having the experience and ability to provide high-quality and differentiated services to customers in different regions by giving full play to its own modular design and manufacturing advantages.

The Middle East is a key market for Wison Engineering. The Company has been deeply involved for more than ten years, and has established a solid foundation for business development, further enhancing its localization. During the period under review, Wison Engineering continued to deepen the good partnership with a number of strategic customers such as Saudi Aramco, SABIC and ADNOC. Although the projects under construction are facing the challenges of the normalization of the epidemic, they still maintain high-quality execution and delivery. The Company continues to follow up on multiple project business opportunities in various regions, keeps expanding new markets, and is participating in the bidding of the world's largest LNG project in Qatar.

In addition to the Middle East and other traditional chemical markets, the Company actively deployed emerging markets by closely following up petrochemical, new coal chemical, new energy, new material and other projects in Russia, Southeast Asia and other regions, in order to obtain additional market space. Wison Engineering achieved a breakthrough in orders in emerging markets in 2021, laying a solid foundation for further opening up overseas markets.

During the period under review, Wison Engineering was awarded a project contract for a front-end engineering design (“FEED”) by SIBUR, Russia. The Company will provide high-quality services to meet customer needs and lay the foundation for subsequent general contracting projects. This cooperation has laid a solid foundation for exploring the markets of Russia and Central Asia. At present, Wison Engineering has a number of projects in the region, including ethylene, MTO, butadiene, PDH and other hit products.

In the Southeast Asian market, the Company obtained the EPC general contract for the natural gas hydrogen plant of Thai Petroleum IRPC during the period under review. This cooperation with IRPC is an important milestone in the development of Wison Engineering in Southeast Asia.

In addition, Wison Engineering continued to deepen the North American market, and a number of business opportunities are being followed up and negotiated.

Fully Boosting Technological, R&D and Engineering Capacity Driven by Innovation

Reinforcing Independent Research and Development and External Strategic Cooperation to Accelerate Penetration into New Energy Business

Wison Engineering actively responded to the national policy and international trend of “carbon peak, carbon neutrality”, and identified new energy business as the Company’s strategic key development area, including green electricity hydrogen production, hydrogen storage and transportation, comprehensive utilization of hydrogen in the chemical industry and carbon emission reduction industry, etc.

During the period under review, the Company accelerated the pace of deployment of new energy, gave full play to the advantages of independent research and development and engineering technology, cooperated with global advanced technology patent vendors, integrated internal and external resources, and provided customers with comprehensive solutions. Wison Engineering and Japan High Chemical Co., Ltd. (“**High Chemical**”) signed a cooperation agreement on organic liquid hydrogen storage and hydrogen production technology. Wison Engineering undertook the methylcyclohexane (MCH) hydrogen storage and hydrogen production project commissioned by High Chemical. The feasibility study of this project was completed and the basic design was carried out. The two parties jointly promoted the demonstration project to be implemented in China.

In addition, the Company and Southwest Chemical Research and Design Institute signed a cooperation agreement, under which the two parties rely on their respective advantages and resources in the field of hydrogen production and carbon emission reduction, to promote close cooperation in pressure swing adsorption and separation, carbon dioxide capture, ammonia cracking hydrogen production and other technical fields. At the same time, Wison Engineering

is committed to cooperating with advanced technology patent vendors in the fields of hydrogen production from electrolyzed water, hydrogen liquefaction, hydrogen storage and comprehensive utilization of carbon dioxide to build a complete industrial chain from green electricity to green hydrogen, to green chemicals and carbon emission reduction.

Wison Engineering completed the preliminary planning from photovoltaic power generation to hydrogen production by electrolysis of water, hydrogen liquefaction and hydrogen storage to the coupling of hydrogen and coal chemical industry. The Company discussed the cooperation intention of green hydrogen energy comprehensive utilization project with China Shenhua and other companies. In the second half of 2021, the Company conducted a feasibility study on green hydrogen in the coal chemical industry. In future, Wison Engineering will continue to accelerate the expansion of the new energy market to form a new core competitiveness, and make new energy a new business growth point for the Company.

New technologies such as new materials and degradable plastics are another development focus of the Group.

The development and utilization of new technologies such as new materials and degradable plastics is the development trend of the industry, and it is also the key development direction of Wison Engineering. After long-term R&D investment and technology accumulation, Wison Engineering made a number of major breakthroughs in key technologies during the period under review.

In 2021, the Company successfully completed the sub-project of “ethylene carbonate hydrogenation to produce ethylene glycol and methanol” of the national key research and development project “new technology of CO₂ efficient synthetic chemicals”, and developed and built a thousand-ton ester hydrogenation pilot plant as scheduled, and successfully passed the on-site performance assessment of the expert group. The ester hydrogenation technology was recognized as being at the international leading level, providing a new technical route for realizing the high-value and large-scale, providing strong support for green and low-carbon development and industry technology transformation.

In terms of green process innovation based on traditional production routes, the Company successfully completed the process package development of Panjin Sanli’s MMA project. This project is the first domestic MMA industrial production plant for the ethylene route. It adopts the leading olefin hydroformylation technology and the new technology of one-step oxidation and esterification of methacrolein, with completely localized intellectual property rights. Through innovative, green and sustainable technical solutions, the problems of high pollution and high energy consumption of the acetone cyanohydrin MMA production route commonly used in China can be effectively solved.

In addition, in terms of innovative technology development and industrialization of degradable plastics, Wison Engineering continued to promote the technical research and development of polyglycolic acid (PGA), opened up the whole process and successfully completed the preparation of the process package. PGA, as a new type of degradable plastic, has the advantages of good degradability and low cost, and has great commercial application value. The Company took independent innovation technology as an entry point to deploy in-depth layout in the field of green new materials, and also relied on rich new technology engineering transformation capabilities and practical experience to actively promote the engineering amplification and industrialization of new technologies. In addition, Wison Engineering was actively exploring new engineering markets in the field of other degradable materials. In mid-May 2021, it signed an EPC general contract for the 240,000-ton/year polyester biodegradable resin project with Xinjiang Weigerui Biotechnology Co., Ltd., marking a new breakthrough in this field.

During the period under review, the new technology of ethane catalytic oxidative dehydrogenation to ethylene (ODHE) developed by the Company in cooperation with the Dalian Institute of Chemical Technology of the Chinese Academy of Sciences successfully passed the single-tube pilot technology evaluation organized by the China Petroleum and Chemical Industry Federation. The technology is highly innovative and has independent intellectual property rights, and the technical indicators have reached the international leading level. This technology has a breakthrough significance for ethylene production, and is in line with the global trend of lightweight olefin raw materials, and has broad application prospects. Wison Engineering has deeply cultivated in the ethylene industry for many years. In future, it will rely on strong engineering and technical capabilities and rich practical experience to steadily promote the commercialization of this technology, and help the green, high-quality and sustainable development of ethane-rich industries such as shale gas, oil refining, coal chemical industry, and ethylene.

The Company actively promoted the butene oxidative dehydrogenation to butadiene catalyst and complete process technology, and successfully achieved the third commercial transfer of the catalyst during the period under review, and the industrial application reached the expected goal. The successful commercial application of the catalyst has a great impact on the promotion and transfer of butadiene catalyst and complete process technology. At present, many domestic and foreign enterprises have conducted in-depth exchanges with Wison Engineering. At the same time, the Company took the mature butadiene technology as an opportunity to integrate the Company's internal strength and establish a new technical team – Butadiene Division. On the one hand, the Company conducted research and development on the high-value utilization technology of the by-product of the butadiene plant to improve technical economy of the process and maintain the Company's leading edge in butadiene technology; on the other hand, it sought technical cooperation and development of butadiene industry chain to explore the extension and development highlights of new technologies. The Company is building butadiene and its industrial chain technology, which will greatly enhance the technological progress and development of the industry.

During the period under review, Wison Engineering obtained 13 new authorized patents and made 19 new patent applications, and continued to strengthen its intellectual property and technical reserves. In addition, the “Shanghai Green Chemical and Energy Saving Engineering Technology Research Center” to be built by the Company has successfully passed the comprehensive performance evaluation organized by the Shanghai Science and Technology Commission and was approved to be built. The Company will use the research center platform to play a more important role in technology development, global technical cooperation, intellectual property management, etc. in the fields such as carbon dioxide utilization, biodegradable materials, waste plastic recycling, and high-end new materials, promoting the green and high-quality development of the industry. Moreover, Wison Engineering has continuously improved the design, implementation and management standards of engineering projects, and has been widely recognized by the industry. It has won a “First Prize of Shanghai Excellent Engineering Consulting Achievement Award”, a “Second Prize of Shanghai Excellent Engineering Consulting Achievement Award”, a “High-quality Excellent Project in Chemical Industry” award, two “High-quality Project in Chemical Industry” awards, and won the “2019-2020 Top 20 Private Survey and Design Enterprises in Shanghai” and “Shanghai Industrial Design Center (2021-2023)” honors. At the same time, the Company passed the review of the China Petroleum and Chemical Industry Federation and was once again recognized as “China Petroleum and Chemical Industry Technology Innovation Demonstration Enterprise”.

Advancing Digital Application and Accelerating the Process of Intelligence

During the period under review, the Company accelerated the process of digitization and intelligence. Centered on the vision of “creating a world-class energy and chemical engineering company” and aimed at the advanced level of the digital and intelligent industry, the Company extended the digital integrated design to digital engineering, improving engineering design and operation management capabilities.

Wison Engineering accelerated the upgrade of digital applications and improved design efficiency and design quality by implementation of domestic and foreign projects. In order to achieve the goal of digital development of the enterprise, the Company will accelerate the creation of a digital integrated design platform, build and improve an expert-aided design system to improve the level of design optimization, build a project management system with cost schedule as the core and an integrated management system of man-hours and schedule costs to continuously improve the level of refined project management through visual data analysis, forecasting and decision-making.

Strengthening Modular Capacity to Enhance Core Competitiveness

Modular delivery is one of the core competencies of Wison Engineering, which effectively promotes the Company's market development, especially for overseas markets and domestic and foreign projects. During the period under review, the Company accelerated the building of modular design capacity, improved the quality and efficiency of project execution, provided customers with competitive modular optimization solutions, and maximized the advantages and value of modular design.

During the period under review, the Company accelerated the development of "three generations+" modular technology, improved system integration, standardized modules and modular transportation design capability, and combined digitization and modularization and took the program optimization as an entry point to minimize the project duration and reduce costs. At the same time, Wison Engineering further promoted modular delivery to overseas implementation projects, including U.S. AP's synthetic ammonia project, Juhua Abu Dhabi fluorination and chlor-alkali chemical plant module projects, significantly improving the design capability of the Company's process modules and highlighting modular advantages, and Wison Engineering was committed to becoming an industry benchmark.

Continue to Introduce New Talents and Optimize Organizational Structure and Mechanism

In 2021, Wison Engineering continued to optimize its organizational structure and improve management efficiency. As at 31 December 2021, the Company had a total of 1,323 employees and introduced 172 high-end technical personnel.

During the period under review, the Company released a new corporate vision and development strategy, clarified the vision of "creating a world-class energy and chemical engineering company", formulated a development strategy of "driven by innovations, focused on principal operations and establishing global presence", and determined "vitality, efficiency, compliance, perfection and mutual benefits" corporate culture as the core concept.

Focusing on the new company strategy and corporate culture, Wison Engineering has continuously improved the management system and rules and regulations, established three management systems, i.e. project management, technical management, and operation management, and the corresponding three talent teams to improve the cadre management mechanism, and carried out the market-oriented compensation system and incentive policy reform, established a dynamic talent management system, promoted corporate culture and enhanced employees' sense of belonging and cohesion through skills competitions, cultural and sports activities, team building, etc.

BUSINESS OUTLOOK

Looking ahead, the global energy structure transformation will be further deepened in 2022. China will steadily push forward the goal of “carbon peak, carbon neutrality”, and the economy will continue to make steady progress. Although the global economy and the energy and chemical industry will still face the impact of epidemics and geopolitical uncertainties, governments will continue to step up economic revitalization measures, promote investment and market demand, and accelerate the implementation of a number of major projects. Overall, the economic and energy and chemical markets will continue to recover.

The “dual carbon” policy will have a profound impact on the energy and chemical industry. Investment projects will become larger in scale and more integrated, promote the upgrade and transformation of the domestic energy and chemical industry, accelerate the development of new materials, and improve the application of new energy. At the end of 2021, the Central Economic Work Conference proposed that “raw material energy consumption is not included in the total energy consumption control”, project approval will have clearer guidelines, increasing the possibility of approval of more projects in the energy and chemical industry, especially having a great boost effect for the coal chemical industry. Coal is the main energy source in China. Promoting the transformation and upgrade of coal consumption will be the development direction of energy policies in line with national conditions. At the same time, it will further promote the transformation of coal from fuel to chemical raw materials. Coal chemical industry will develop toward the high-end, diversified, low-carbon and differentiated direction. In addition, the market expects that oil prices will remain high under the influence of geopolitics for some time to come, further driving the investment in and development of green coal chemical industry.

Besides, under the new policy and market environment, technological change will become the core driving force for the development of the energy and chemical industry. High value-added upgrade will be the only way for the development of the chemical industry. High-end new materials and basic chemical projects that highly rely on import will benefit from policy dividends and have huge room for development. In order to accelerate the implementation of the “double carbon” goal and achieve the localization of key materials, new processes in the fields related to power generation and energy storage of new energy such as hydrogen energy, wind power, photovoltaic, etc. will usher in a huge opportunity, driving the demand for related new materials and giving new opportunities to the energy and chemical industry.

For engineering companies, excellent technology and engineering capabilities will be the key to development. In 2022, the Company will adhere to the three strategies, i.e. “driven by innovations, focused on principal operations and establishing global presence”, focusing on improving technical capabilities and production efficiency, further exerting the advantages of institutional mechanisms, and comprehensively enhancing the Company’s core competitiveness and economic benefits. Wison Engineering will further focus on core products, deepen high-quality customers, and increase efforts to develop overseas markets; continue to strengthen technical management, research and development and cooperation, and strengthen the construction of talent teams; continue to improve design capacity building, accelerate the pace of digitization and modularization, and comprehensively improve the level of project management capability, and strive to build a world-class energy and chemical engineering company.

Insist on being driven by innovations. We strive to build an innovation system with technological innovation and project management innovation at its core. To improve R&D efficiency, we ensure R&D resource investment and strengthen R&D process management. At the same time, we actively cooperate with world-renowned patent vendors to further expand cooperation space in the fields of hit products and new energy and new materials to achieve a win-win situation. Taking advantage of engineering companies as a bridge for the commercial application of new technologies, we improve our core competitiveness toward the target of becoming a world-leading technology-based engineering company.

Insist on principal operations. Based on our foothold in the fields of energy and chemical engineering, we make full use of the market advantages of existing hit products, consolidate the market position, and increase the market share in the traditional hit products such as ethylene and downstream, MTO, PDH, PTA, coal gasification, butadiene, synthetic stop, melamine, industrial furnace, etc. At the same time, we continue to cultivate new hit products and accelerate the deployment of layout of fields such as new energy and new materials, laying the foundation for sustainable development in the future.

The Company will be committed to enhancing comprehensive competitiveness and strengthening EPC project management capacity building with design as the core. We reduce project costs through design optimization and create values for customers. We establish a globally unified procurement platform to enhance the process, reduce the costs and improve the efficiency of procurement. With a well-established resource management system for sub-contractors in place, we carry out professional sub-contracting of construction projects, improve on-site construction management capacity, create device start-up and service capacity, and establish an efficient and robust project management system, so as to keep the whole process of safety, quality, progress and costs under control.

Insist on establishing global presence. On the back of domestic market, we march into overseas markets and realize the common development of domestic and foreign markets. While further consolidating cooperation with existing customers, Wison Engineering will deepen the partnership with foreign customers, focusing on domestic and foreign markets. We give full play to the Company’s experience and advantages in the implementation of overseas projects, increase efforts to explore overseas markets, continue to deepen the Middle East and North America markets, and accelerate the development of emerging markets such as Russia, Central Asia and Southeast Asia.

Wison Engineering fully implements the strategies of “driven by innovations, focused on principal operations and establishing global presence”, and carry forward the corporate culture of “vitality, efficiency, compliance, perfection and mutual benefits”, aiming to achieve various strategic goals as soon as possible and reward our shareholders with excellent performance.

FINANCIAL REVIEW

Revenue and Gross Profit

The comprehensive revenue of the Group increased by 18.6% from RMB5,296.1 million for the year ended 31 December 2020 to RMB6,279.5 million for the Year.

The gross profit of the Group increased by 52.3% from RMB301.2 million for the year ended 31 December 2020 to RMB458.8 million for the Year.

The gross profit margins of the Group for the year ended 31 December 2020 and 2021 were 5.7% and 7.3%, respectively.

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

	Segment revenue		Segment gross profit		Segment gross profit margin	
	2021 (RMB'million)	2020 (RMB'million)	2021 (RMB'million)	2020 (RMB'million)	2021 (%)	2020 (%)
EPC	6,035.8	5,116.0	369.9	245.2	6.1%	4.8%
Engineering, consulting and technical services	243.7	180.1	88.9	56.0	36.5%	31.1%
	<u>6,279.5</u>	<u>5,296.1</u>	<u>458.8</u>	<u>301.2</u>	<u>7.3%</u>	<u>5.7%</u>

The revenue of EPC of the Group increased by 18.0% from RMB5,116.0 million for the year ended 31 December 2020 to RMB6,035.8 million for the Year. This was mainly because the Group's large EPC projects, which were acquired in 2019 and 2020, have entered into principal construction phases with smooth progress, which increased the revenue contribution for the Year. The gross profit margins of EPC of the Group increased from 4.8% for the year ended 31 December 2020 to 6.1% for the Year. This was mainly because the Group recognised compensation for certain projects during the Year.

The revenue of engineering, consulting and technical services of the Group increased by 35.3% from RMB180.1 million for the year ended 31 December 2020 to RMB243.7 million for the Year. The gross profit margins of engineering, consulting and technical services of the Group increased from 31.1% for the year ended 31 December 2020 to 36.5% for the Year. This was mainly because during the Year, more revenue was contributed by those engineering and consulting projects with higher profit margin.

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

	2021 <i>(RMB'million)</i>	2020 <i>(RMB'million)</i>	Change	Change (%)
Petrochemicals	4,808.3	3,498.4	1,309.9	37.4%
Coal-to-chemicals	869.7	572.8	296.9	51.8%
Oil refineries	82.6	270.7	-188.1	-69.5%
Public infrastructure	243.3	461.7	-218.4	-47.3%
Other products and services	275.6	492.5	-216.9	-44.0%
	<u>6,279.5</u>	<u>5,296.1</u>	<u>983.4</u>	<u>18.6%</u>

The revenue of petrochemical business segment increased by 37.4%. The Group's new domestic and overseas petrochemical projects acquired in recent years were well in progress, which contributed to the increase in revenue of petrochemical business segment for the Year.

The revenue of coal-to-chemicals business segment increased by 51.8%. The coal-to-chemicals projects located in Fujian and Shandong, China, were well in progress, driving the increase in revenue.

The revenue of oil refineries business segment decreased by 69.5%. This was mainly because the Group's oil refinery projects located in Abu Dhabi was approaching to the middle to late construction phase.

The revenue of public infrastructure business segment decreased by 47.3%. The principle construction phase of the Group's existing domestic water conservancy and sewage infrastructure projects fell within the period from the second half of 2020, to the first half of 2021. Starting from the second half of 2021, the revenue contribution by public infrastructure segment has been slowed down, which resulted in the year-on-year decrease in revenue.

The revenue of other products and services business segment decreased by 44.0%. This was mainly because the Group's new materials project located in Jiangsu, China, had entered into completed phase, and revenue decreased accordingly.

Details of comprehensive revenue breakdown by geographic locations of our projects are set out below:

	Year ended 31 December			
	2021		2020	
	Revenue	Percentage of	Revenue	Percentage of
	(RMB'million)	total revenue	(RMB'million)	total revenue
		(%)		(%)
Mainland China	5,284.0	84.1%	3,797.6	71.7%
America	63.8	1.0%	661.0	12.5%
Middle East	874.8	13.9%	824.0	15.5%
Others	56.9	1.0%	13.5	0.3%
	6,279.5	100.0%	5,296.1	100.0%

The revenue from overseas projects of the Group accounted for approximately 28.3% of the total revenue for the year ended 31 December 2020, whereas for the Year, revenue from overseas projects accounted for approximately 15.9% of the total revenue. The decrease in percentage weighting of revenue from overseas projects for the Year was mainly because the new orders acquired by the Group during recent years were primarily domestic projects.

Other Income and Gains

Other income and gains increased by 9.2% from RMB182.1 million for the year ended 31 December 2020 to RMB198.8 million for the Year. For details please refer to note 4 to the consolidated financial statements of the Group.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 28.8% from RMB104.6 million for the year ended 31 December 2020 to RMB74.5 million for the Year, which was mainly because of the restructuring of the Group's overseas marketing branches during the Year.

Administrative Expenses

Administrative expenses increased by 5.9% from RMB245.8 million for the year ended 31 December 2020 to RMB260.4 million for the Year. This was mainly because of the increase in depreciation and amortization as a result of the change in accounting policy during May 2020.

Other Expenses

Details of other expenses breakdown are set out below:

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Research and development costs	168.9	144.9
Expenses in relation to operating lease income	22.2	19.7
Bad debt reversal	(12.4)	(2.4)
Loss on derecognition of financial asset at fair value through profit or loss	–	16.5
Reversal of accrued liabilities	–	(9.8)
Others	1.1	3.6
	179.8	172.5

Other expenses increased by 4.2% from RMB172.5 million for the year ended 31 December 2020 to RMB179.8 million for the Year.

Finance Costs

Finance costs increased by 17.6% from RMB65.4 million for the year ended 31 December 2020 to RMB76.9 million for the Year. For details please refer to note 5 to the consolidated financial statements of the Group.

Income Tax Expense/Credit

Income tax increased by 310.6% from income tax credit of RMB12.3 million for the year ended 31 December 2020 to income tax expense of RMB25.9 million for the Year, this was mainly resulting from the change in deferred tax of the Group for the Year.

Loss for the Year

Based on the reasons above, the loss for the year decreased significantly by 65.8% from RMB271.5 million for the year ended 31 December 2020 to RMB92.8 million for the Year. The Group's net profit margin was -5.1% for the year ended 31 December 2020 and improved to -1.5% for the Year.

Trade and Bills Receivables

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 30-90 days or the respective contracts' retention period. The Group's total trade and bills receivables decreased by approximately 8.9% from RMB941.0 million as at 31 December 2020 to RMB857.7 million as at 31 December 2021.

Financial Resources, Liquidity and Capital Structure

As at 31 December 2021, the Group's cash and bank balances amounted to RMB931.3 million, representing approximately 15.6% of the Group's current assets (31 December 2020: RMB471.0 million, representing approximately 10.1% of the Group's current assets).

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

	For the year ended	
	31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	256.5	(380.3)
Net cash flows from investing activities	(4.4)	(142.8)
Net cash flows from financing activities	217.3	156.6

As at 31 December 2021 and 2020, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Hong Kong Dollar	14.2	9.5
US Dollar	193.6	293.6
Renminbi	1,327.5	926.3
Saudi Riyal	46.8	58.6
Euro	4.3	1.0
South African Rand	1.9	2.7
UAE Dirham	1.3	2.7

The Asset-Liability Ratio of the Group, which was derived by dividing average total liabilities by average total assets, is set out below. The Asset-Liability Ratio of the Group has exhibited a downward trend. The decrease in Asset-Liability Ratio for the Year was mainly attributable to the increase in the proportion of the Group's total assets.

	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Asset-Liability Ratio	<u>70.5%</u>	<u>69.2%</u>	<u>69.0%</u>	<u>61.6%</u>	<u>60.8%</u>

Interest-bearing bank and other borrowings of the Group as at 31 December 2021 and 31 December 2020 were set out in the table follow. The short-term bank borrowings of the Group accounted for 100.0% of the total bank borrowings (31 December 2020: 100%).

	As at 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Current		
Bank loans repayable within one year		
— Secured	336.5	34.3
— Unsecured	100.0	100.0
Current portion of long-term bank loans-Secured	736.5	805.0
	1,173.0	939.3

Bank borrowings were denominated in RMB and USD at 31 December 2021 and 31 December 2020. As at 31 December 2021, bank borrowings amounting to RMB1,173.0 million (31 December 2020: RMB939.3 million) bore interest at fixed rates.

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

Year ended 31 December 2021	2.60% to 5.88%
Year ended 31 December 2020	2.60% to 5.88%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2021 and 31 December 2020, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	<i>RMB million</i>				
31 December 2021					
Interest-bearing bank and other borrowings	747.3	90.7	344.8	—	1,182.8
31 December 2020					
Interest-bearing bank and other borrowings	816.8	111.1	24.5	—	952.4

The Group meets its working capital and other capital requirements principally with cash generated from its operations and borrowings.

Material Acquisitions and Disposals

During the Year, the Group has not conducted any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

The capital expenditure of the Group amounted to RMB43.5 million for the Year (2020: RMB11.7 million).

Foreign Exchange Risk Control

The business transactions of the Group are mainly settled in Renminbi and US dollars. The Group is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the relevant entities. The Group has formulated and strictly adheres to a currency hedging policy against the foreign currency risk.

Contingent Liabilities

- (1) During 2019, a sub-contractor of Wison Engineering Limited (“**Wison Engineering China**”, a wholly-own subsidiary of the Company) applied for arbitration in the Shanghai Arbitration Committee for an additional payment of construction costs, guarantee deposits, loss expenses and the interest arising from the overdue payment of the foregoing mentioned expenses of approximately RMB48,966,000.
- (2) During 2020, a sub-contractor of Jiangsu Wison Construction Technology Limited (“**Jiangsu Wison**”, a wholly-own subsidiary of the Company) filed a claim to the Jiangsu Province’s People’s Court in Mainland China against Jiangsu Wison for additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB17,655,000. As at 31 December 2021, a certain bank account of Jiangsu Wison of RMB20,000,000 were frozen by Jiangsu Province’s People’s Court for property preservation.
- (3) During 2021, a sub-contractor of Wison Engineering China filed a claim to the People’s Court of Zhuhai City, Jinwan District in Mainland China against Wison Engineering China for additional payment of construction costs and loss expenses of approximately RMB3,341,000.
- (4) During 2021, a customer of Wison Engineering China filed a claim to the People’s Court of Beijing in Mainland China against Wison Engineering China for additional payment of liquidation damages of approximately RMB2,101,000.

As at the date of approval of the financial statements, for case (1) and case (2), Wison Engineering China, Jiangsu Wison and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination, and trials are yet to be scheduled; and the trials of case (3) and case (4) are yet to be scheduled.

The Directors are of the opinion that additional provision of RMB3.3 million has been made for case (1). For the rest of the three cases which are without merits and the possibility for the Group to be subject to additional payment claims is remote on the basis of the available evidence and legal advice taken, the Directors are of opinion that no additional provision is required.

Pledge of Assets

As at 31 December 2021, certain buildings of RMB3,502.9 million, future years right of receiving rental income from certain properties, as well as trade and bills receivables for certain projects were pledged as security for bank facilities of the Group.

Human Resources

As at 31 December 2021, the Group had 1,323 employees (31 December 2020: 1,538 employees). The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. During the Year, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB661.5 million (during the year ended 31 December 2020: RMB665.5 million). The Group adopted the Share Option Scheme on 30 November 2012 as encouragement and reward for the contributions of employees to the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2021**(Expressed in RMB)*

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	6,279,549	5,296,064
Cost of sales		<u>(5,820,752)</u>	<u>(4,994,862)</u>
GROSS PROFIT		458,797	301,202
Other income and gains	4	198,763	182,141
Selling and distribution expenses		(74,493)	(104,552)
Administrative expenses		(260,415)	(245,777)
Impairment losses on financial and contract assets		(135,595)	(178,920)
Other expenses		(179,793)	(172,484)
Finance costs	5	(76,875)	(65,439)
Share of profits and losses of associates		<u>2,626</u>	<u>9</u>
LOSS BEFORE TAX	6	(66,985)	(283,820)
Income tax (expense)/credit	7	<u>(25,854)</u>	<u>12,309</u>
LOSS FOR THE YEAR		<u>(92,839)</u>	<u>(271,511)</u>
Attributable to:			
Owners of the parent		(92,611)	(271,238)
Non-controlling interests		<u>(228)</u>	<u>(273)</u>
		<u>(92,839)</u>	<u>(271,511)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic		RMB(2.27) cents	RMB(6.66) cents
— Diluted		<u>RMB(2.27) cents</u>	<u>RMB(6.66) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in RMB)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
LOSS FOR THE YEAR	<u>(92,839)</u>	<u>(271,511)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(4,243)</u>	<u>(13,196)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(4,243)</u>	<u>(13,196)</u>
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	<u>(52,954)</u>	<u>(45,643)</u>
Gains on properties and land revaluation	1,356	2,729,393
Income tax effect	<u>(203)</u>	<u>(409,409)</u>
	<u>1,153</u>	<u>2,319,984</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(51,801)</u>	<u>2,274,341</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(56,044)</u>	<u>2,261,145</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(148,883)</u>	<u>1,989,634</u>
Attributable to:		
Owners of the parent	(148,655)	1,989,907
Non-controlling interests	<u>(228)</u>	<u>(273)</u>
	<u>(148,883)</u>	<u>1,989,634</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,448,510	1,358,824
Investment property		9,800	10,449
Right-of-use assets		2,150,814	2,326,338
Goodwill		15,752	15,752
Intangible assets		25,035	26,730
Investments in associates		213,022	192,796
Equity investments designated at fair value through other comprehensive income		242,697	205,748
Long-term prepayments		–	159
Deferred tax assets		29,887	55,792
Total non-current assets		4,135,517	4,192,588
CURRENT ASSETS			
Inventories		218,351	85,867
Trade receivables	<i>10</i>	684,479	839,289
Bills receivable		173,221	101,681
Contract assets		2,697,171	1,617,778
Prepayments and other receivables		560,865	709,885
Financial asset at fair value through profit or loss		–	500
Due from fellow subsidiaries		37,855	15,037
Pledged bank balances and time deposits	<i>11</i>	659,694	824,775
Cash and bank balances	<i>11</i>	931,268	470,966
Total current assets		5,962,904	4,665,778
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	3,306,846	2,430,439
Other payables and accruals		1,042,938	1,058,431
Interest-bearing bank and other borrowings		1,173,038	939,327
Lease liabilities		16,602	15,670
Due to fellow subsidiaries		82	5,914
Due to an associate		630	630
Tax payable		174,763	188,871
Total current liabilities		5,714,899	4,639,282
NET CURRENT ASSETS		248,005	26,496
TOTAL ASSETS LESS CURRENT LIABILITIES		4,383,522	4,219,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		3,328	19,571
Long-term payables		336,413	–
Deferred tax liabilities		392,626	403,522
Government grants		4,116	4,247
		<hr/>	<hr/>
Total non-current liabilities		736,483	427,340
		<hr/>	<hr/>
NET ASSETS		3,647,039	3,791,744
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	330,578	330,578
Share premium		869,201	869,201
Other reserves		2,447,812	2,592,289
		<hr/>	<hr/>
		3,647,591	3,792,068
		<hr/>	<hr/>
Non-controlling interests		(552)	(324)
		<hr/>	<hr/>
Total equity		3,647,039	3,791,744
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Group incurred a net loss attributable to owner of the Company of RMB92,611,000 during the year ended 31 December 2021 and the Group had net current assets of RMB248,005,000 as at 31 December 2021. As a result of net loss recorded by the Group the Group is in breach of financial covenant with certain bank (the “**Bank**”) which is entitled to demand for immediate repayment of the principal amount of RMB765,000,000 and accrued interest as at 31 December 2021 as stipulated in the clauses of the loan agreement.

The Directors have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

1.2 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, buildings and leasehold land 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 2021. 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the China Interbank Offered Rate as at 31 December 2021. The Group expects that China Interbank Offered Rate will continue to exist and the interest rate benchmark reform has not had an impact on the Group's China Interbank Offered Rate-based borrowings. For the China Interbank Offered Rate-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, dividend income, 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, 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, a 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 2021	EPC	Engineering, consulting and technical services	Total
	RMB'000	RMB'000	RMB'000
Segment revenue (note 4)			
Sales to external customers	6,035,818	243,731	6,279,549
Intersegment sales	61,960	1,341	63,301
	<hr/>	<hr/>	<hr/>
Total revenue	6,097,778	245,072	6,342,850
<i>Reconciliation:</i>			
Elimination of intersegment sales			<hr/> (63,301)
Revenue			<hr/> <hr/> 6,279,549
Segment results	369,875	88,922	458,797
<i>Reconciliation:</i>			
Unallocated income			198,763
Unallocated expenses			(651,714)
Unallocated finance costs (other than interest on lease liabilities)			(75,457)
Share of profits and losses of associates			<hr/> 2,626
Loss before tax			<hr/> <hr/> (66,985)
Segment assets	4,193,994	104,970	4,298,964
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(38,825)
Corporate and other unallocated assets			<hr/> 5,838,282
Total assets			<hr/> <hr/> 10,098,421
Segment liabilities	4,320,796	38,263	4,359,059
<i>Reconciliation:</i>			
Elimination of intersegment payables			(33,140)
Corporate and other unallocated liabilities			<hr/> 2,125,463
Total liabilities			<hr/> <hr/> 6,451,382

Year ended 31 December 2021	EPC	Engineering, consulting and technical services	Total
	RMB'000	RMB'000	RMB'000
Other segment information			
Share of profits and losses of associates			
— Unallocated			2,626
Impairment losses provided in the statement of profit or loss			
— Allocated	105,293	27,156	132,449
— Unallocated			3,146
Depreciation and amortisation			
— Unallocated			133,632
Investments in associates			
— Unallocated			213,022
Capital expenditure			
— Unallocated*			43,476

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

Year ended 31 December 2020	EPC RMB'000	Engineering, consulting and technical services RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	5,115,965	180,099	5,296,064
Intersegment sales	<u>183,531</u>	<u>14,947</u>	<u>198,478</u>
Total revenue	5,299,496	195,046	5,494,542
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(198,478)</u>
Revenue			<u><u>5,296,064</u></u>
Segment results	245,260	55,942	301,202
<i>Reconciliation:</i>			
Unallocated income			182,141
Unallocated expenses			(704,368)
Unallocated finance costs (other than interest on lease liabilities)			(62,804)
Share of profits and losses of associates			<u>9</u>
Loss before tax			<u><u>(283,820)</u></u>
Segment assets	3,132,852	72,975	3,205,827
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(71,029)
Corporate and other unallocated assets			<u>5,723,568</u>
Total assets			<u><u>8,858,366</u></u>
Segment liabilities	3,253,268	57,833	3,311,101
<i>Reconciliation:</i>			
Elimination of intersegment payables			(72,317)
Corporate and other unallocated liabilities			<u>1,827,838</u>
Total liabilities			<u><u>5,066,622</u></u>

Year ended 31 December 2020	EPC <i>RMB'000</i>	Engineering, consulting and technical services <i>RMB'000</i>	Total <i>RMB'000</i>
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Other segment information

Share of profit and loss of associates			
— Unallocated			9
Impairment losses provided in the statement of profit or loss			
— Allocated	162,306	16,108	178,414
— Unallocated			506
Depreciation and amortisation			
— Unallocated			115,520
Investments in associates			
— Unallocated			192,796
Capital expenditure			
— Unallocated*			11,686

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

Geographical information

Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	5,283,950	3,797,539
Middle East	874,831	824,027
America	63,783	661,001
Others	56,985	13,497
	<u>6,279,549</u>	<u>5,296,064</u>

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

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

Information about major customers

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

	2021	2020
Customer A (EPC segment)	39.2%	NA
Customer B (EPC segment)	12.8%	NA
Customer C (EPC segment)	10.1%	NA
Customer D (EPC segment)	NA	31.6%
Customer E (EPC segment)	NA	11.7%

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Revenue from contracts with customers</i>	<u>6,279,549</u>	<u>5,296,064</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

<u>Segments</u>	EPC <i>RMB'000</i>	Engineering, consulting and technical services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of services			
Construction services	6,035,818	–	6,035,818
Design, feasibility research, consulting and technical services	–	243,731	243,731
Total revenue from contracts with customers	<u>6,035,818</u>	<u>243,731</u>	<u>6,279,549</u>
Geographical markets			
Mainland China	5,092,718	191,232	5,283,950
Middle East	874,831	–	874,831
America	63,594	189	63,783
Others	4,675	52,310	56,985
Total revenue from contracts with customers	<u>6,035,818</u>	<u>243,731</u>	<u>6,279,549</u>
Timing of revenue recognition			
Services transferred over time	<u>6,035,818</u>	<u>243,731</u>	<u>6,279,549</u>

For the year ended 31 December 2020

<u>Segments</u>	EPC <i>RMB'000</i>	Engineering, consulting and technical services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of services			
Construction services	5,115,965	–	5,115,965
Design, feasibility research, consulting and technical services	–	180,099	180,099
	<u>5,115,965</u>	<u>180,099</u>	<u>5,296,064</u>
Total revenue from contracts with customers	<u>5,115,965</u>	<u>180,099</u>	<u>5,296,064</u>
Geographical markets			
Mainland China	3,650,807	146,732	3,797,539
Middle East	821,089	2,938	824,027
America	644,069	16,932	661,001
Others	–	13,497	13,497
	<u>5,115,965</u>	<u>180,099</u>	<u>5,296,064</u>
Total revenue from contracts with customers	<u>5,115,965</u>	<u>180,099</u>	<u>5,296,064</u>
Timing of revenue recognition			
Services transferred over time	<u>5,115,965</u>	<u>180,099</u>	<u>5,296,064</u>

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 2021

<u>Segments</u>	EPC <i>RMB'000</i>	Engineering, consulting and technical services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	6,035,818	243,731	6,279,549
Intersegment sales	61,960	1,341	63,301
	<u>6,097,778</u>	<u>245,072</u>	<u>6,342,850</u>
Intersegment adjustments and eliminations	(61,960)	(1,341)	(63,301)
Total revenue from contracts with customers	<u>6,035,818</u>	<u>243,731</u>	<u>6,279,549</u>

For the year ended 31 December 2020

<u>Segments</u>	EPC <i>RMB'000</i>	Engineering, consulting and technical services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	5,115,965	180,099	5,296,064
Intersegment sales	<u>183,531</u>	<u>14,947</u>	<u>198,478</u>
	5,299,496	195,046	5,494,542
Intersegment adjustments and eliminations	<u>(183,531)</u>	<u>(14,947)</u>	<u>(198,478)</u>
Total revenue from contracts with customers	<u><u>5,115,965</u></u>	<u><u>180,099</u></u>	<u><u>5,296,064</u></u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	421,206	154,358
Design, feasibility research, consulting and technical services	<u>35,263</u>	<u>12,837</u>
	<u><u>456,469</u></u>	<u><u>167,195</u></u>

(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 to 90 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<u>Other income</u>		
Government grants*	5,828	10,587
Bank interest income	14,763	16,167
Dividend income from an equity investment at fair value through other comprehensive income	13,069	12,689
Other interest income from financial assets at fair value through profit or loss	–	135
Rental income:		
Other lease payment, including fixed payments	119,194	99,145
Insurance indemnities	245	40,832
Others	2,559	2,586
	<u>155,658</u>	<u>182,141</u>
<u>Gains</u>		
Gain on modifications of financial liabilities that do not result in derecognition	43,093	–
Gain on disposal of financial asset at fair value through profit or loss — mandatorily classified as such, including those held for trading	12	–
	<u>43,105</u>	<u>–</u>
	<u><u>198,763</u></u>	<u><u>182,141</u></u>

* 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans and other loans	61,354	62,209
Interest on lease liabilities	1,418	2,635
Interest on discounted bills and letters of credit	–	595
Other finance costs:		
Increase in discounted amounts of financial liabilities arising from the passage of time	14,103	–
	<u>76,875</u>	<u>65,439</u>

6. LOSS BEFORE TAX

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

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services provided*		5,820,752	4,994,862
Depreciation of property, plant and equipment and investment property		47,771	50,169
Depreciation of right-of-use assets		79,901	59,525
Research and development costs		168,910	144,954
Amortisation of intangible assets		5,960	5,826
Government grants		(5,828)	(10,587)
Impairment of financial and contract assets, net			
Impairment of trade receivables, net	<i>10</i>	125,609	102,368
Impairment of contract assets, net		6,840	76,046
Impairment of other receivables, net		3,146	506
Loss on disposal of items of property, plant and equipment		489	568
Lease payments not included in the measurement of lease liabilities		15,559	15,073
(Gain)/loss on derecognition of financial asset at fair value through profit or loss			
— mandatorily classified as such, including those held for trading		(12)	16,549
Gain on modifications of financial liabilities that do not result in derecognition		(43,093)	—
Other finance costs:			
Increase in discounted amounts of financial liabilities arising from the passage of time		14,103	—
Auditor's remuneration		5,938	6,626
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries (including social welfare)		603,813	605,250
Retirement benefit scheme contributions		53,545	47,049
Equity-settled share option expenses		4,178	13,165
		661,536	665,464
Foreign exchange differences, net		757	4,921

* Amounts of RMB399,474,000 and RMB382,529,000 of employee benefit expenses were included in cost of services provided during the years ended 31 December 2021 and 2020, respectively.

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.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
— Mainland China	5,817	12,024
— Elsewhere	5,231	1,218
Deferred	14,806	(25,551)
Total tax charge/(credit) for the year	<u>25,854</u>	<u>(12,309)</u>

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, 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, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore during the year ended 31 December 2021 and 2020.

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 2020 to 2022.

Jiangsu Wison is subject to corporate income tax at a rate of 25%.

Wison USA, 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 loss 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before tax	<u>(66,985)</u>	<u>(283,820)</u>
Tax at the statutory tax rates	(18,562)	(65,131)
Lower tax rate enacted by local authority	(33,020)	21,346
Tax losses not recognised	39,731	50,515
Unrecognized deductible temporary differences	51,503	–
Adjustments in respect of current tax of previous periods	1,961	(3,783)
Additional tax deduction	(19,002)	(17,263)
Expenses not deductible for tax	<u>3,243</u>	<u>2,007</u>
Tax change/(credit) at the Group's effective rate	<u>25,854</u>	<u>(12,309)</u>

The share of tax attributable to associates amounting to RMB883,000 (2020: RMB10,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final — Nil (2020: HK\$0.004) per ordinary share	<u>–</u>	<u>14,682</u>

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,073,767,800 (2020: 4,073,767,800) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss 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 loss 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.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the share options in issue during those years had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	<u>(92,611)</u>	<u>(271,238)</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>4,073,767,800</u>	<u>4,073,767,800</u>

10. TRADE RECEIVABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	1,049,887	1,079,088
Impairment	<u>(365,408)</u>	<u>(239,799)</u>
	<u>684,479</u>	<u>839,289</u>

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 to 90 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	25,013	133,512
2 to 12 months	173,479	260,871
Over 1 year	<u>485,987</u>	<u>444,906</u>
	<u>684,479</u>	<u>839,289</u>

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

	2021	2020
	RMB'000	RMB'000
At beginning of year	239,799	150,105
Impairment losses, net (<i>note 6</i>)	125,609	102,368
Amount written off as uncollectible	–	(12,674)
	<hr/>	<hr/>
At end of year	365,408	239,799
	<hr/> <hr/>	<hr/> <hr/>

The increase (2020: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

- (i) Decrease in the loss allowance of RMB11,367,000 (2020: RMB7,432,000) as a result of a net decrease (2020: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables;
- (ii) Increase in the loss allowance of RMB136,976,000 (2020: RMB109,800,000) 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 2021

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	5.43%	10.93%	41.14%	73.21%	34.80%
Gross carrying amount (<i>RMB'000</i>)	209,880	368,132	98,664	373,211	1,049,887
Expected credit losses (<i>RMB'000</i>)	11,388	40,222	40,587	273,211	365,408

As at 31 December 2020

	Ageing				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	5.13%	10.90%	37.65%	94.70%	22.22%
Gross carrying amount (<i>RMB'000</i>)	415,698	190,094	438,975	34,321	1,079,088
Expected credit losses (<i>RMB'000</i>)	21,315	20,725	165,256	32,503	239,799

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd.	70,321	123,239
Taixing Bohui Environmental Technology Development Co., Ltd.	104,791	83,021
Taixing Tianma Chemical Engineering Co., Ltd.	76,697	76,697
	251,809	282,957

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	931,268	789,410
Time deposits with original maturity of less than three months (including three months)	403,556	256,944
Time deposits with original maturity of more than three months	256,138	249,387
	1,590,962	1,295,741
Less: Pledged bank balances and time deposits	659,694	824,775
Unpledged cash and cash equivalents	931,268	470,966
Less: Frozen and unpledged bank balances	40,200	45,200
Unpledged and unfrozen cash and cash equivalents	891,068	425,766

At 31 December 2021, bank balances and time deposits of RMB469,117,000 (2020: RMB466,905,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2021, bank balances and time deposits of RMB3,189,000 (2020: RMB18,692,000) were pledged to the banks as security to obtain letters of credit facilities for the purchase of imported equipment.

At 31 December 2021, bank balances and time deposits of RMB172,520,000 (2020: RMB291,909,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2021, bank balances and time deposits of RMB3,000 (2020: RMB19,169,000) were pledged to a bank as security for forward foreign exchange contracts.

At 31 December 2021, bank balances of RMB14,865,000 (2020: RMB28,100,000) were pledged to a bank as security to obtain a bank facility.

At 31 December 2021, certain bank accounts of Jiangsu Wison of RMB40,200,000 (2020: RMB40,200,000) were frozen by related courts for preservation.

At 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB1,327,475,000 (2020: RMB926,281,000). 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 year	2,796,589	1,760,149
1 to 2 years	272,823	144,679
2 to 3 years	94,561	115,348
Over 3 years	478,260	410,263
	<u>3,642,233</u>	<u>2,430,439</u>
Less: non-current portion	<u>335,387</u>	–
Current portion	<u>3,306,846</u>	<u>2,430,439</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Other than those suppliers granting extended credit period for more than one year.

13. SHARE CAPITAL AND RESERVES

Shares

	2021	2020
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each	<u>4,073,767,800</u>	<u>4,073,767,800</u>
	2021	2020
	RMB'000	RMB'000
Authorised:		
Ordinary shares of HK\$0.1 each	<u>1,622,757</u>	<u>1,622,757</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each	<u>330,578</u>	<u>330,578</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>4,073,767,800</u>	<u>330,578</u>	<u>869,201</u>	<u>1,199,779</u>

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of its Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance code (“**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Year.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE 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.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code throughout the Year to the date of this announcement. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of the subsidiaries during the Year.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2021. The Audit Committee considered that the annual results are in compliance with all applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Ernst & Young 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 Messrs. Ernst & Young on this preliminary announcement.

FINAL DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2021 (2020: nil).

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting (“**2022 AGM**”) will be held on Tuesday, 14 June 2022. A notice convening the 2022 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Thursday, 9 June 2022 to Tuesday, 14 June 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered.

To ensure that Shareholders are entitled to attend and vote at the 2022 AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 June 2022.

EVENTS AFTER THE REPORTING PERIOD

No significant event of the Group has taken place since the end of the Year and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float of at least 21.87%, being the minimum public float as agreed by the Stock Exchange.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is required to be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.wison-engineering.com), respectively. The annual report of the Company for the Year will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Wison Engineering Services Co. Ltd.
Yan Shaochun

Executive Director and Chief Executive Officer

Hong Kong, 28 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Yan Shaochun, Mr. Zhou Hongliang, Mr. Dong Hua and Mr. Zheng Shifeng; the non-executive Director and Chairman 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.