Annual Report 2022

Wison Engineering

Builds a Better World

Wison Engineering Services Co. Ltd.

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

wison

WISON ENGINEERING

CHINA'S LEADING ENERGY AND CHEMICAL ENGINEERING EPC SERVICE AND TECHNOLOGY INTEGRATION SOLUTION PROVIDER

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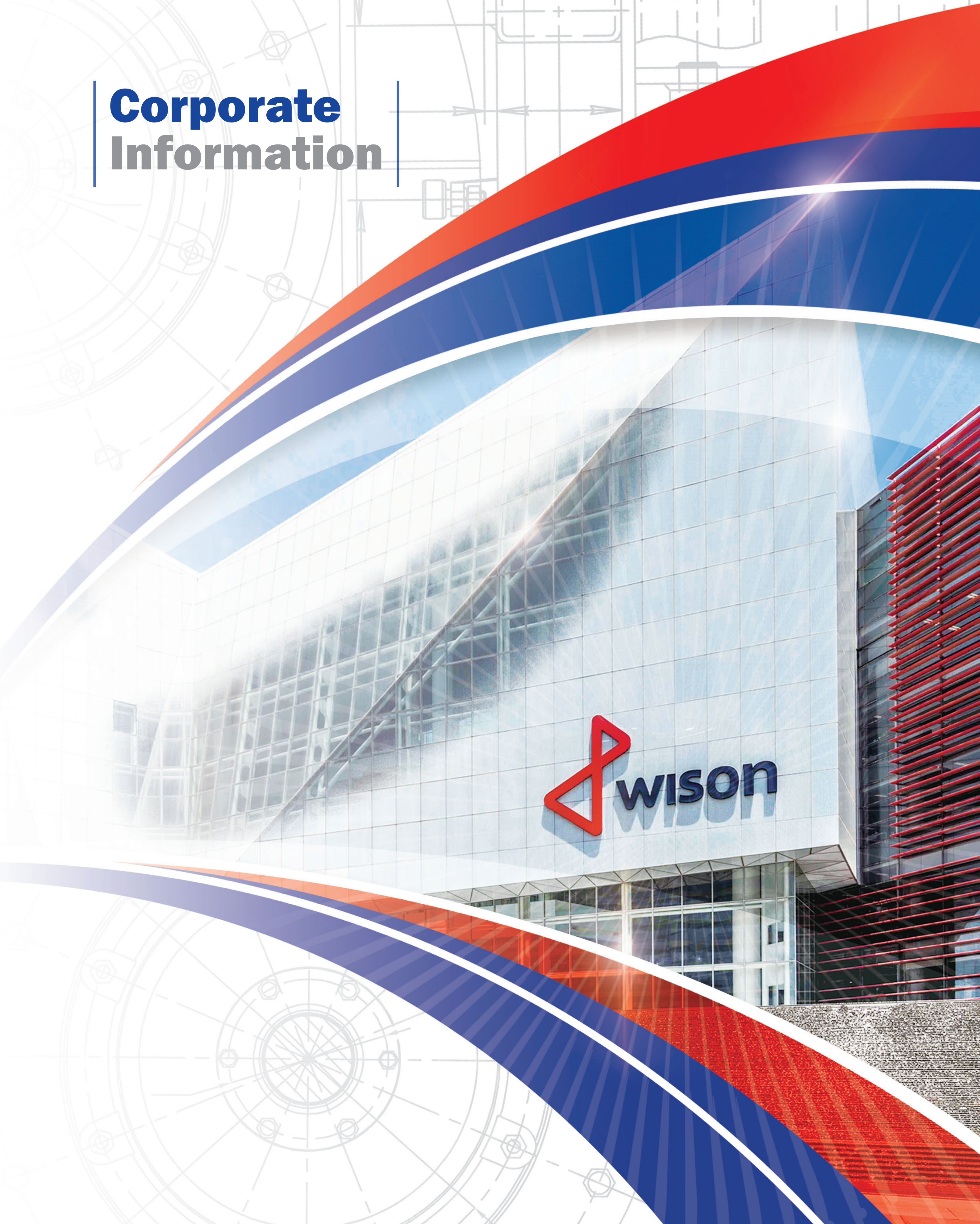
Corporate Information



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Hongliang[(1)] *(Chief Executive Officer)*
Mr. Zheng Shifeng

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors

Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

AUDIT COMMITTEE

Mr. Lawrence Lee *(Chairman)*
Mr. Feng Guohua
Mr. Tang Shisheng

(1) Mr. Zhou Hongliang was appointed as Chief Executive Officer and authorised representative with effect from 31 December 2022.

NOMINATION COMMITTEE

Mr. Tang Shisheng *(Chairman)*
Mr. Feng Guohua
Mr. Lawrence Lee

REMUNERATION COMMITTEE

Mr. Feng Guohua *(Chairman)*
Mr. Lawrence Lee
Mr. Tang Shisheng

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

633 Zhongke Road
Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai 201210
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

COMPANY SECRETARY

Ms. Tsang Chi Ka

AUTHORISED REPRESENTATIVES

Mr. Zhou Hongliang(1)
Ms. Tsang Chi Ka

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKS

China CITIC Bank Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Bank of China Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
East West Bancorp, Inc

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 5408
54th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Financial Summary

Financial Summary

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**4,658,780**	6,279,549	5,296,064	4,367,271	3,256,478
Gross profit	**(208,300)**	458,797	301,202	408,227	498,872
(Loss)/profit before tax	**(1,175,466)**	(66,985)	(283,820)	89,775	72,739
Income tax (expenses)/ credit	**(21,920)**	(25,854)	12,309	(39,217)	(12,786)
(Loss)/profit for the year	**(1,197,386)**	(92,839)	(271,511)	50,558	59,953
Attributable to:					
Owners of the parent	**(1,185,486)**	(92,611)	(271,238)	50,609	56,301
Non-controlling interests	**(11,900)**	(228)	(273)	(51)	3,652
Earnings per share (RMB cents)					
– Basic	**(29.10)**	(2.27)	(6.66)	1.24	1.38
– Diluted	**(29.10)**	(2.27)	(6.66)	1.24	1.37

Financial Summary

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**4,037,489**	4,135,517	4,192,588	1,432,965	1,131,114
Current assets	**4,906,056**	5,962,904	4,665,778	4,287,999	4,618,231
Current liabilities	**4,797,821**	5,714,899	4,639,282	3,456,486	3,988,387
Net current assets	**108,235**	248,005	26,496	831,513	629,844
Total assets less current liabilities	**4,145,724**	4,383,522	4,219,084	2,264,478	1,760,958
Non-current liabilities	**1,570,123**	736,483	427,340	460,851	11,139
Net assets	**2,575,601**	3,647,039	3,791,744	1,803,627	1,749,819
Share capital	**330,578**	330,578	330,578	330,578	330,299
Reserves	**2,257,475**	3,317,013	3,461,490	1,473,100	1,419,520
Non-controlling interests	**(12,452)**	(552)	(324)	(51)	–
Total equity	**2,575,601**	3,647,039	3,791,744	1,803,627	1,749,819

Business Overview

Business Overview

REVIEW OF 2022 ANNUAL RESULTS AND OUTLOOK

MARKET AND RESULTS OVERVIEW

In 2022, continuing to uphold the strategy of "driven by innovations, focused on principal operations and establishing global presence", Wison Engineering gave full play to the advantages of the fast and flexible mechanism of private enterprises, and moved forward with a pragmatic and pioneering attitude, calmly responded to market changes and the impact of the pandemic. During the period under review, the Company further optimised its organizational structure, actively promoted refined management, strengthened risk control, enhanced its digital and modular capabilities, and continuously consolidated its core competitiveness. In the face of new situation, new challenges and new opportunities, the Company will continue to engage in the field of energy and chemical engineering, taking root in existing markets and actively exploring new markets; at the same time, it will accelerate the deployment of new energy and new materials to be pioneer in seizing market opportunities in this field.

During the period under review, the global economy faced many downward pressures. On one hand, the impact of the pandemic and the ongoing conflict between Russia and Ukraine had a major impact on the global economy; on the other hand, overseas inflation continued to rise, and central banks around the world were accelerating monetary tightening. The domestic macroeconomy has also been affected by recurring pandemics in many cities and regions, and its growth rate has slowed down. The triple pressure of demand contraction, supply shocks, and weakening expectations continued to evolve.

The global energy market fluctuated violently due to factors such as geopolitics, macroeconomics, and changes in the supply and demand pattern, which brought enormous difficulties and challenges to the development of the petrochemical industry. Affected by the energy crisis in the first half of the year, the industry cost increased significantly, and the profits were swallowed up by the high raw material prices. Although the cost pressure eased in the second half of the year, with domestic and overseas economic slowdown, various emergencies occurred frequently, and the domestic real estate market continued to slump, the chemical industry fell into a dilemma of low demand, and the industry's prosperity was declining. These factors led to a significant decline in the year-on-year growth rate of revenue and profits of petrochemical companies.

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Since 2022, China has been accelerating its development along the direction of the "14th Five-Year Plan", and the chemical industry has continued to make efforts in green, low-carbon and high value-added products. It is estimated that by 2025, the petrochemical and chemical industry will form a new pattern with independent innovation capabilities, reasonable industrial chain structure layout, continuous development of high-end products, green, safe, low-carbon and environmental protection. Large domestic refining and chemical companies are also actively transforming into the field of new materials, actively developing polycarbonate, nylon 66, polybutylene adipate terephthalate (PBAT), polyolefin elastomers (POE) and other products to achieve diversified development of the industrial chain. This has also brought new opportunities for engineering companies.

During the period under review, the Group recorded a revenue of approximately RMB4,658.8 million (for the year ended 31 December 2021: approximately RMB6,279.5 million), representing a decrease of 25.8%; gross loss of approximately RMB208.3 million (for the year ended 31 December 2021: gross profit of approximately RMB458.8 million), representing a decrease of 145.4%; and loss attributable to owners of the parent company of approximately RMB1,185.5 million (for the year ended 31 December 2021: approximately RMB92.6 million). In 2022, the Group received new contracts with a total value of approximately RMB11.3 billion (net of estimated value added tax ("**VAT**")), representing an increase of 76.4%. As at 31 December 2022, the total value of the Company's outstanding contracts was approximately RMB26.7 billion (net of estimated VAT), representing an increase of 4.7% from the total value of outstanding contracts as at 31 December 2021.

BUSINESS AND OPERATIONS REVIEW

Focusing on Principal Business to Consolidate Energy and Chemical Markets

During the period under review, Wison Engineering continued to consolidate its core business market, maintaining a leading position in traditional key products such as ethylene, cracking furnace, propane dehydrogenation (PDH), coal gasification, methanol to olefin (MTO), and synthetic ammonia. At the same time, by further 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), hydrogen energy, green coal chemical industry, butadiene process technology and catalysts.

Multiple domestic and international projects of the Company have overcome the impact of unfavourable factors such as the pandemic, and the smooth implementation of projects were ensured. The progress of the primary projects was as follows:

Shandong Jinhai Chemical's 1 million-ton/year light hydrocarbon comprehensive utilization project: it consists of 5 sets of installations, public works and auxiliary facilities, of which 3 sets of installations use Wison's own technology, and the intermediate handover was completed in September 2022. The core unit of the light hydrocarbon plant, namely the steam turbine of the cracked gas compressor unit, was successfully commissioned in November 2022. The light hydrocarbon plant with ethylene and propylene compressors was flattened, and the high density polyethylene (HDPE) plant with extrusion machine was successfully commissioned.

Shandong Binhua New Materials' Carbon III and Carbon IV comprehensive utilization project PDH devices: the intermediate handover of PDH plant was completed on 31 July 2022. The three investigations and four determinations of equipment and steel structures are being processed; electric instrument joint debugging are being conducted; and we are cooperating with the owner to conduct system purge and airtight test.

CNOOC Huizhou Petrochemical Co., Ltd. new gasifier project: the instrument cable laying was completed, instrument wiring and single circuit debugging were completed; 75% of the pressure test of the process pipeline was completed, and the purging of the ultra-high pressure nitrogen pipeline was completed; 80% of the stand-alone test run was completed, and the formal road and floor construction of the device was completed. The mechanical completion and project intermediate handover were completed in January 2023 and is prepared for production.

The hydrogen and ammonia project under the nylon chemical sector of Henan Shenma: the indoor floor of the gasification frame was completed, the coal-water slurry preparation and masonry were completed, the concrete pouring on the ground of the unloading shed was completed, the masonry for the compressor workshop and the foundation of indoor equipment were completed, the construction of sewage treatment was restored, the rough floor of the comprehensive water treatment plant was basically completed, the hoisting of three gasifiers was completed on 15 December 2022; and the static equipment of the black and grey water treatment frame (except 3 cyclone separators) has been completed. In the prefabrication of process pipelines, the installation of the crane for the preparation of coal water slurry was completed, and the installation of the gasification frame slag removal machine was started. The overall progress of the project is 68% completed.

The project of SP chemicals: it includes two sets of VCM and high performance PS installations, of which all 16 silos of the PS installation were successfully lifted in November 2022. The main installation substation was successfully energized at one time. The intermediate handover of VCM installation was also completed on 22 December 2022.

Xinjiang Weigerui's 240,000-ton/year PBAT project: overall progress of the project is 90% completed. For process installation I, partial pipeline insulation is under construction. For process installation II, the key equipment has arrived and is ready for installation. High voltage testing has been completed in the transformer distribution room. Construction of tank insulation has been completed in the additional tank area. The cleaning room, forklift maintenance room, hazardous chemical storage room and hazardous waste storage room are under final construction.

Panjin Sanli's 100,000-ton/year MMA project: the design PID review was completed, the model review of 60% of the first batch of units was completed, and the steel structure preparation drawings of the pipe gallery and the first batch of units were issued; 39% of procurement inquiries have been completed, and the procurement of dynamic and static equipment has been completed; the main equipment and the foundation construction of buildings and structures have been completed, and the wallboard installation of the fire water tank has been completed. The intermediate handover is expected to be completed by the end of December 2023.

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Inner Mongolia Rongxin PGA project: this project was the first pilot test application of Wison's self-developed degradable plastic technology. At present, the detailed design of the project was basically completed, and the finishing work such as the manufacturer's return of capital was being processed; the on-site construction has completed the installation of the main beams and main columns of the three axes of the 17-22-meter storey, and the cumulative completion rate of the steel structure installation was 40%.

Wanhua Chemical 1.2 million tons/year ethylene plant cracking furnace general contracting project: on 16 November 2022, the project kick-off meeting and design promotion meeting were organised. In terms of design, inquiry and release, the cumulative completion rate was 12%; in terms of procurement, the contracts for quench coolers, high-pressure steam drums and convection modules have been signed, and 30% of the orders for cracking furnace steel structures have been completed. The project is scheduled to complete the intermediate handover in August 2024.

Thailand's natural gas hydrogen production project: the overall progress of the project was 54%, the design was 90% completed, and the civil construction was 70% completed. The project is planned to be put into operation in January 2024.

The DPCU project in the Middle East: the overall progress of the project was 38%, 60% of the detailed design review completed, HAZOP comments were closed, and 60% of the 3D model review was completed. The long-term equipment procurement contract has been signed; and the excavation of the pipe gallery module foundation and the pouring of the concrete foundation were basically completed. The project is expected to be mechanically completed in December 2024.

Qatar EPC4 sulphur treatment project: it is a consortium with Tenicas Reunidas Group for the engineering, procurement and construction ("**EPC**") project. On 26 May 2022, the project kick-off meeting was organised. At present, design inquiry documents had a completion rate of 46.4%; 30% of the model review commenced at the end of December 2022; and the procurement of equipment of long-term use for the project was completed. On site, MEI subcontractor were undergoing selection process, the camp plan for 3,100 people has been confirmed. The project is expected to be mechanically completed in December 2025.

Saudi FARABI Lab4 project: this project was the first linear alkylbenzene (LAB) plant undertaken by Wison. In early December 2022, the project kick-off meeting was held with all members working together; and the on-site survey of design and construction civil engineering was started as planned. The project is expected to be mechanically completed in February 2025.

Russia SIBUR PDH2 & PP Units EPSS project: it is the Company's first time undertaking of the general contracting project of SIBUR in Russia. The project has organised a project kick-off meeting in the end of December 2022. The project is expected to be mechanically completed in December 2026.

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), achieved a breakthrough in overseas orders, strengthened the pre-project planning during project execution, and continuously improved the project management through refined management capability; especially for overseas engineering projects, the Company strengthened contract management and risk control, optimised management systems and processes, and strengthened communication and coordination with owners. 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.

Extraordinary Performance Achievement in QHSE

During the period under review, the Company continued to strengthen the management of quality, health, safety and environment ("**QHSE**"), especially under the normalisation of the pandemic situation. We always insisted on the balance between pandemic prevention and production, formulated different pandemic prevention strategies according to different domestic and overseas production conditions, and implemented various pandemic prevention measures to improve the emergency management and handling capabilities for various emergencies such as pandemic control in various regions and extreme weather conditions. The Company continued to deepen the concept of QHSE for all employees, accelerated the improvement and upgrade of the QHSE management module of the project, promoted suppliers, construction subcontractors and strategic partners to jointly build a 1+3 management system. We continuously promoted the standardisation of project QHSE management and facilitated the implementation of model projects/special processes to present the brand image of Wison Engineering's QHSE.

In 2022, Wison Engineering's QHSE management was stable and in order, and a total of 21.71 million safe man-hours has been achieved in domestic and foreign projects throughout the year. We have received a number of honours, for example, the Fujian Shenyuan project won the Safety Excellent Contractor, Donghua Energy project was named the Benchmarking Unit for project safety management, and the Middle East SRU project scored 99.25 points in the health, safety and environment ("**HSE**") audit of ADNOC in the second half of the year, which was the highest score among all EPC contractors.

During the period under review, the Company prepared and released the Safety Production Responsibility System to supervise the implementation of safety production responsibilities by all employees. The Company standardised the investment of HSE expenses in project construction subcontracts, clarified the payment method and use requirements, and made sure that the funds were earmarked for their own use. The Company has intensified its system review efforts for the first, large-scale and significant projects and design and consulting projects it undertakes. The Company has accelerated the improvement of information management, launched the Smart QHSE management platform, and further improved the QHSE management efficiency of projects. The Company's key quality indicators such as the first-time pass rate of welding, the first-time pass rate of construction ITP control points, and the first-time pass rate of incoming material acceptance of projects under construction were all higher than the targets set at the beginning of the year. The Company also successfully passed the annual QHSE management system externally audited by the Shanghai Quality Audit Centre at the end of 2022.

Business Overview

Wison Engineering takes it as its mission to deliver high-quality projects. With excellent project execution and quality and safety management, The Company's projects have been repeatedly recognised by customers, and the projects such as Shandong Junchen Project, Xinjiang Weigerui Project, Guangdong Maoming Project, Liaoning Panjin Sanli Project, Shanxi Coal Tianqing Triamine Project (design project), and Shanxi Synthetic Biology Industrial Park Project (design) have received gratitude letters from the owners. Through the improvement of design capabilities and design quality, Wison Engineering ranked second in the 2021-2022 Second Top 20 Shanghai Private Survey and Design Enterprise, and five members of Wison Engineering were awarded the honorary title of Zhangjiang Craftsman in 2022 by the Zhangjiang Hi-tech Park Federation of Trade Unions.

Establishing Global Presence for Full Exploration of Domestic and International Markets

With the gradual subsidence of the impact of the pandemic and the steady recovery of the international economy, energy demand has gradually increased, demand for oil and gas products and chemicals has continued to rise, and domestic energy and chemical investment has been picking up. Wison Engineering always adhered to the strategy of "establishing global presence" and continued to effectively promote the globalisation strategy "home and abroad". During the period under review, the total amount of newly signed contracts of the Company was RMB11.3 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 gave full play to its competitive advantages in core petrochemical and coal chemical products, and has obtained multiple design projects for key products such as Yantai Wanhua Phase II ethylene process package and detailed design, Yantai Wanhua Phase II ethylene project cracking furnace general contract, Xinlianxin coal gasification and synthetic ammonia detailed design, Xinjiang Yihua melamine basic design, and Henan Jinkong Tianqing melamine. At the same time, Wison Engineering also continued to cultivate new key products, especially in the fields of new energy and new materials. During the period under review, the Company signed the Inner Mongolia Rongxin PGA general contract, started the general contracting of the Qingdao Sanli MMA project, and signed technical consulting contracts such as Shenergy CO_2 production of methanol, Kingho's "green hydrogen+CO_2" production of "Liquid Sunshine" methanol coupling and downstream. While exploring new customers, the Company further strengthened close cooperation with long-term high-quality customers such as Shandong Energy, Wanhua Chemical, Dongming Petrochemical, Shandong Binhua, Nanjing Chengzhi, Huayi, and Yihua to actively develop secondary business opportunities.

In overseas markets, Wison Engineering has deeply cultivated for many years by accumulating extensive project experience and establishing good partnership with many international engineering companies and suppliers, and has acquired the experience and ability to provide high-quality and differentiated services to customers in different countries and 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 in it for more than ten years, and has established a solid foundation there for business development. During the period under review, Wison Engineering and TR Consortium signed the EPC general contract for the sulphur processing plant of Qatar Energy, and won the general contract for the LAB4 project of FARABI in Saudi Arabia. At the same time, in Qatar, Saudi Arabia and other regions, the Company also has multiple cooperative projects that are under close tracking and entering the quotation stage.

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, North America, Africa, and other regions. During the period under review, Wison Engineering successfully won the pre-consultation contract for the oil refining project of Nigeria BUA Group, and participated in the pre-feed quotation of the Sterling chemical project, expecting to further expand the market growth space.

During the period under review, Wison Engineering won the EPS task of the Russia SIBUR PDH/PP project and the preliminary work task of the Russia NKNK PP-400 project, and continued to promote the in-depth implementation of the projects. At the same time, Wison Engineering continued to pay attention to the United States (the "**US**") methanol project opportunities and modular project opportunities.

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

Focus on Green Hydrogen, Green Ammonia, Green Alcohol, Carbon Emission Reduction and CO_2 Utilization, and Accelerate New Energy and New Business Development

In order to comply with the domestic and overseas "dual carbon" development strategy and industry trends, Wison Engineering actively explored market opportunities for the combination of new energy and coal chemical industry, steel and other traditional hydrogen-using industries, gave full play to the technical advantages and system integration capabilities in the chemical fields such as hydrogen, ammonia and alcohol, steadily expanded the customer base in the electric power and energy fields, provided a plant-wide engineering solution for the in-situ conversion of unstable green ion off-grid/weak off-grid into hydrogen, ammonia and alcohol, helped the development of electric power and energy industry, and solved the bottleneck of on-site consumption of new energy power generation. The Company actively explained to customers how to optimise carbon emission reduction, supported the sustainable development of enterprises; the Company also accelerated project research and business layout in the fields such as hydrogen energy industry chain, industrial tail gas carbon capture, CO_2 chemical carbon sequestration, and biomass fuel, expanded new opportunities for dual-carbon businesses such as green hydrogen/blue hydrogen combined with traditional energy, CO_2 hydrogenation to synthesize alcohol/oil products. Meanwhile, in response to the development trend of green ammonia and green alcohol in the European and American markets, Wison Engineering has developed modular green ammonia and green alcohol technology solutions with competitive advantages in

Business Overview

system optimisation, cost, and schedule to provide support and guarantee for the sustainable and green development of client companies.

It is estimated that in the next 5-8 years, green ammonia and green alcohol will be an important transition period for marine fuels. Wison Engineering seized the opportunity of industry development and cooperated with Wison Offshore Engineering to jointly promote the technical reserve research of floating green ammonia and green alcohol product solutions.

During the period under review, taking the opportunity of a potential green ammonia production project with off-grid wind power generation as an opportunity, with green ammonia production and ammonia consumption as the starting point for project demonstration. Through close cooperation with customers and electric power design institutes, we seek project solutions for the integrated production of green ammonia from wind and electricity. Currently, the project is under feasibility study. During the period under review, Wison Engineering has conducted several pre-engineering projects such as carbon dioxide hydrogenation to synthesize methanol/ethanol/jet fuel, and was expected to form a breakthrough in 2023.

During the period under review, the Company has organised a professional team to conduct technical reserve research on coupling of new energy with coal chemical industry and iron and steel industry, all off-grid new energy green electricity production of chemicals, commercialization of green ammonia, green alcohol and floating green ammonia. The professional team intensified efforts in market development, and strived to make new energy and new business a new business growth point in the Company's domestic and foreign markets.

Remarkable Results in R&D of New Materials and New Processes

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.

The Company participated in the development and EPC general contracting of the first industrialisation project of ethylene method MMA green new process — Panjin Sanli 100,000 tons/year MMA project has entered the stage of on-site implementation. 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 oxidative 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 the development and industrialisation of innovative technologies for degradable plastics, Wison Engineering continued to promote the industrialisation of polyglycolic acid (PGA), and signed a PGA new technology cooperation agreement and a general contract for the construction of a pilot research project with Inner Mongolia Rongxin Chemical Co., Ltd. on 1 May 2022. At present, the detailed design has been completed, the main equipment has arrived, and the pilot plant targets to be completed by the end of May 2023. The Company regarded independent innovation technology as an entry point, actively promoted the engineering scale-up and industrialisation of new technologies while constructing pilot plants, and signed a contract for the preparation of the feasibility study report of the 100,000 tons/year polyglycolic acid project with Anhui Haoyuan Chemical Group Co., Ltd. on 25 March 2022; the completed feasibility study report on the coal-based high-performance new material project of Jiangsu Jinkong Equipment New Hengsheng Chemicals Co., Ltd. (including a 200,000-ton polyglycolic acid plant) also passed the review of the Xinyi Chemical Industry Cluster. In addition, Wison Engineering was also actively exploring engineering markets in the field of other degradable materials. During the period under review, the feasibility study of the 200,000 tons/year butadiene production BDO project of Nanjing Chengzhi Clean Energy Co., Ltd. was completed.

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 has entered the stage of commercial promotion, and the technical demonstration and application intention of the technology has been reached with many domestic enterprises. This technology is suitable for the production of ethylene from various ethane raw materials, and its investment, energy consumption and carbon emissions are significantly lower than traditional technologies. It 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.

The Company has always been committed to the promotion of butene oxidative dehydrogenation to butadiene catalyst and complete process technology. In view of the fact that the commercial plant that has adopted Wison Engineering's butene oxidative dehydrogenation to butadiene catalyst and complete process technology has achieved outstanding results, and its technical level has been unanimously recognised at home and abroad, it is already at the leading level at home and abroad. So far, a number of domestic and foreign companies have conducted in-depth exchanges with Wison Engineering, which makes the commercial application of the Company's technology extremely promising. At the same time, the Company is committed to the optimisation and upgrading of butadiene technology, the development of a new generation of energy-saving butene oxidative dehydrogenation catalyst and reaction technology, and the development of energy-saving and environment-friendly butadiene extraction technology. On the basis of the existing technology, the steam consumption is greatly reduced, the energy consumption is further reduced by 30%, the sewage is reduced by 40%, and the yield is increased by more than 5 percentage points. The production cost per ton of butadiene is further reduced on the basis of the existing technology, which marks a subversive progress in the development of butadiene oxidative dehydrogenation technology. At present, the technology has officially entered the stage of industrial testing and promotion. The successful development of this technology can better maintain the Company's leading edge and competitiveness in the field of butadiene technology. On the other hand, the ethylene method vinyl acetate catalyst jointly developed by the Company's butadiene business department has achieved preliminary results, and is well adapted to the current technical requirements for the development of domestic vinyl

Business Overview

acetate. The 1,3-propanediol technology under development is expected to form a new technological highlight and provide technical support for the differentiated requirements of domestic polyester product development. The butadiene and new material technology field that the Company is building will greatly enhance the technological progress and development of the industry.

During the period under review, Wison Engineering obtained 14 new authorised patents and made 13 new patent applications, and continued to strengthen its intellectual property rights and technical reserves. In addition, the "Shanghai Green Chemical and Energy Saving Engineering Technology Research Centre" to be built by the Company has passed the evaluation organised by the Shanghai Science and Technology Commission. The Engineering Technology Research Centre is committed to technology development and technical cooperation in the fields such as carbon dioxide utilisation, degradable materials, waste plastic recycling, and high-end new materials, as well as the engineering application of such new technologies, promoting the green and high-quality development of the industry. On the other hand, Wison Engineering has continuously improved the design, execution and management standards of engineering projects, which has been widely recognised by the industry. The Company's projects have won many awards, and the provincial and ministerial industry awards include: "Zhejiang Dushan Energy Co., Ltd. 2.2 million tons/year PTA project" won the "Second Prize of China Survey and Design Industry Excellent Survey and Design Award Petroleum and Chemical Industry Engineering Design" (the first time to win the highest level of award in China's survey and design industry); "Research and Application of Modular Construction Technology for Large Ethylene Cracking Furnace" won the first prize of the 2022 China Installation Association Science and Technology Progress Award; Wanhua Chemical's polyurethane industry chain integration-ethylene project's 1 million tons/year ethylene plant won the first prize of the 2022 Provincial and Ministerial Excellent Survey and Design Award, and Nanjing Chengzhi Yongqing Energy Technology Co., Ltd.'s 600,000-ton/year MTO project methanol-to-olefins unit won the second prize of the 2022 Provincial and Ministerial Excellent Survey and Design Award.

Accelerate the Application of Digital Project Management System and Continuously Improve the Level of Integrated Design

2022 is a critical year for the rapid advancement of the Company's digitisation. The project management system for progress, cost, contract and change based on data management was launched to realise refined project planning, process data classification, summary, analysis and prediction; the second phase of development of document control collaborative management focused on design management and process document control to realise standardized and automated business workflow, and cover the entire process of EPCC projects. The two new systems have been deployed and used in new domestic and foreign projects, making process management digital and visualised, and improving the level of refined management. The digital construction and installation management system has been promoted and applied in domestic and foreign projects, which has enhanced the prediction, supervision, and control of the construction process. The comprehensive material management system has been fully launched, and the efficiency has been significantly improved.

During the period under review, the EPC master data sorting related to progress, budget and cost control was completed, and more than 20 tools were developed to improve the efficiency of integrated design; part of the technical standards for electrical, process, and equipment specialities has been deposited until the system's auxiliary design tools and databases have been developed and put into online application.

Strengthening Modular Capacity to Enhance Core Competitiveness

Modular design and delivery have become one of the core competitiveness of Wison Engineering, and the strong demand for modular design in foreign markets will make the Company pay more attention to the accumulation and innovation of modular design. During the period under review, the Company accelerated the building of a modular core team to provide customers with competitive modular solutions, expand domestic and overseas markets, and maximise the advantages and value of modular design.

During the period under review, the Company accelerated the development of the three-generation modular design concept, optimised and updated the layout of process packages through process system integration; the use of standardised modules reduced project costs; the combination of digital and modular design minimised the design cycle and further reduced costs. At the same time, Wison Engineering further promoted modular delivery, and brought cost advantages to owners through modular design in the AP synthetic ammonia project in the United States; for the Saudi Aramco DPCU project, due to the harsh conditions on the construction site, the Company solved various problems such as difficulties in resource organisation and low efficiency of on-site construction operations through modular solutions; although it did not win the bid, BASF Zhanjiang ethylene project fully demonstrated the feasibility and cost comparison of domestic large-scale plant modular design to the owner during the bidding process of the project, which laid the foundation for the subsequent development of the domestic modular market; in the Eni FLNG project in cooperation with Wison Offshore Engineering, maximising the modular design rate will become the key to project execution, through the execution of the project will greatly improve the competitiveness of Wison Engineering in the global modular market. Wison Engineering will combine the advantages of its own and partners and gradually develop into a modular solution provider integrating design, processing, commissioning and start-up.

Continue to Introduce New Talents and Optimise Organisational Structure and Mechanism

In the whole year of 2022, Wison Engineering adhered to the talent strategy centred on technology and internationalisation, selected the best talents from among the best, and introduced 6 academic leaders and craft experts, focusing on fluidised bed, oil reduction and chemical increase, and whole plant design, etc., to further deepen the technical strength of the core product line. At the same time, according to the rapid changes in business and market environment, the Company promoted the optimisation of talent structure, introduced more talents with international project management experience and foreign senior technical and management personnel, and further leveraged the Company's flexible platform and mechanism advantages. There were 46 newly recruited undergraduate, master and doctoral graduates throughout the year; the total number of employees in the Company as at 31 December 2022 was 1,370, which was increasing steadily.

Business Overview

BUSINESS OUTLOOK

In 2023, the domestic economic growth rate will gradually pick up, but overseas countries such as Europe and the United States are at greater risk of recession, and petrochemical market demand and price will be largely affected by the macroeconomic situation. With the continuous optimisation of domestic pandemic control measures and the gradual implementation of real estate support policies, domestic terminal consumption is expected to gradually recover, and domestic demand for chemicals will also continue to pick up, which is expected to boost the prosperity of the chemical industry. At the same time, overseas freight rates are gradually falling. also the FED's repeated interest rate hikes, the RMB has depreciated significantly against the US dollar, which is expected to benefit the export demand of domestic chemical products in 2023. After the Russia-Ukraine conflict broke out, EU countries imposed sanctions on Russia, Russia's natural gas exports to Europe dropped sharply, and Europe's energy supply became tense. High energy costs force some companies to transfer their chemical production capacity to China, which will also bring new development opportunities for China's chemical industry.

As the world's requirements for low-carbon, environmental protection, and sustainable development continue to increase, governments of various countries and regions will continue to increase policy guidance and supervision of the petrochemical industry. Under the background of the global "dual carbon" goals, the global energy pattern are being reshaped, which will bring brand new development opportunities to the new energy market. Refining and chemical enterprises will also actively respond to policy orientation in accordance with changes in national policies, and accelerate industrial transformation and upgrading to meet policy requirements. In the medium and long term, backward production capacity will be gradually eliminated. In addition to improving the process, the private large-scale refining and chemical industry will also develop in the direction of hydrogen energy and carbon capture.

Wison Engineering will pay close attention to the global macroeconomic situation and adjust its development strategy in a timely manner to cope with market fluctuations. Meanwhile, the Company will adhere to the three strategies, i.e. "driven by innovations, focused on principal operations and establishing global presence", further exerting the advantages of institutional mechanisms, and focusing on improving technical capabilities and production efficiency. The Company will further focus on core products, cultivate high-quality customers, and increase efforts to develop the market; continue to strengthen technical management, research and development and cooperation, strengthen the construction of talent teams; continue to improve design capacity building; through the development and deployment of the master data service platform, the project management platform, document control collaboration platform, and construction management system have been fully launched to systematically improve the Company's digital design, digital and intelligent management of the project process, improve quality and efficiency, and prevent and control risks. The Company will comprehensively improve the level of project management capabilities and core competitiveness, and is committed to building 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 continuously strengthen independent technology R&D and the cooperation in new technology R&D, we ensure R&D resource investment, talent introduction and cultivation, optimise R&D process management, and improve R&D efficiency. At the same time, we actively cooperate with world-renowned patent vendors to further expand cooperation space in the fields of key 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 key products, consolidate the market position, further optimise products, technologies and services in the traditional key products such as ethylene and downstream, MTO, PDH, PTA, coal gasification, butadiene, synthetic ammonia, melamine, and industrial furnace, and increase the market share. At the same time, we continue to cultivate new key products and accelerate the deployment of layout of fields such as new energy and new materials, promote project implementation to lay a solid foundation for sustainable development in the future.

The Company will be committed to enhancing comprehensive competitiveness and strengthening the capacity building of EPC project management 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 subcontractors in place, we carry out professional subcontracting 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 realise the coordinated development of domestic and foreign markets. While exploring new customers, we will further consolidate the cooperation with existing customers, and continuously 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 develop in the Middle East and North America, and accelerate the development of emerging markets such as Russia, Central Asia, Southeast Asia and Africa to create new performance growth points for the Company.

In the future, the petrochemical market will face both opportunities and challenges. Wison Engineering will pay close attention to the market changes, combine market demand and its own development reality, make necessary adjustments to its strategies and operations in a timely manner, improve efficiency and profitability, and achieve various strategic goals as soon as possible to repay shareholders for their long-term support.

Management Discussion and Analysis

Management Discussion and Analysis

FINANCIAL REVIEW FOR 2022

Revenue and Gross Profit

The comprehensive revenue of the Group decreased by 25.8% from RMB6,279.5 million for the year ended 31 December 2021 to RMB4,658.8 million for the year ended 31 December 2022 (the "**Year**").

The gross loss of the Group amounted to RMB208.3 million for the Year, while for the year ended 31 December 2021, gross profit of RMB458.8 million was recorded, representing a year-on-year decrease of 145.4%.

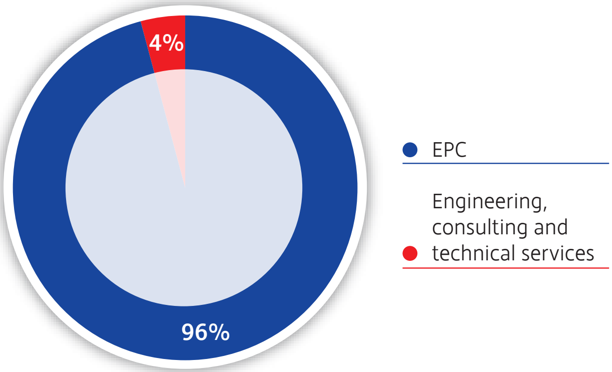
The gross profit margins of the Group for the year ended 31 December 2021 and 2022 were 7.3% and -4.5%, respectively.

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

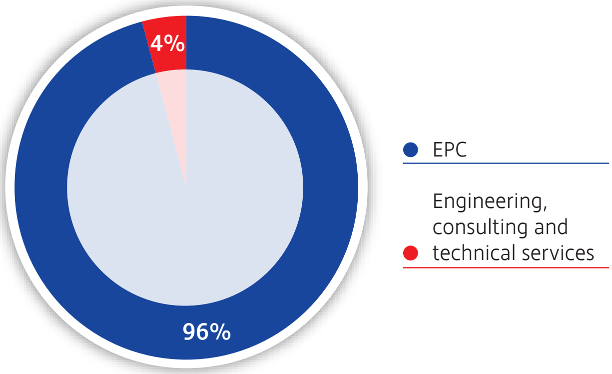
	Segment revenue		Segment gross profit		Segment gross profit margin	
	2022	2021	**2022**	2021	**2022**	2021
	RMB million	RMB million	**RMB million**	RMB million	**%**	%
EPC	**4,463.6**	6,035.8	**-256.3**	369.9	**-5.7%**	6.1%
Engineering, consulting and technical services	**195.2**	243.7	**48.0**	88.9	**24.6%**	36.5%
	4,658.8	6,279.5	**-208.3**	458.8	**-4.5%**	7.3%

Management Discussion and Analysis

2022



2021



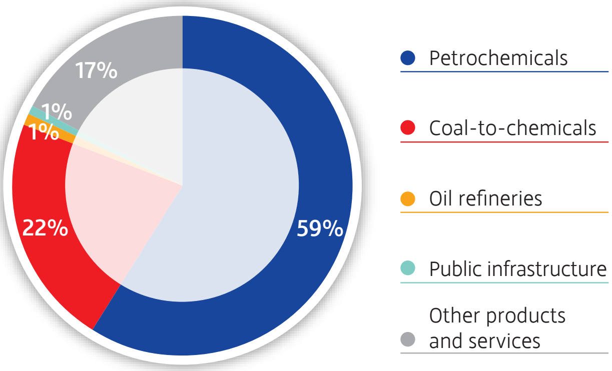
The revenue of EPC of the Group decreased by 26.0% from RMB6,035.8 million for the year ended 31 December 2021 to RMB4,463.6 million for the Year. The EPC segment recorded a negative gross profit margin of 5.7%, as compared to positive gross profit margin of 6.1% recorded in 2021. The decrease in revenue and gross profit of EPC for the Year was mainly because new projects were awarded to the Group near the end of the Year and revenue contribution from these projects for the Year were relatively limited. Moreover, due to the structural change in gross profit margin of different contract types, as well as the delay in project progress and the increase in project subcontracting fee, freight and overhead expense arising from the COVID-19 pandemic, the recognizable revenue and gross profit decreased relatively significantly during the Year.

The revenue of engineering, consulting and technical services of the Group decreased by 19.9% from RMB243.7 million for the year ended 31 December 2021 to RMB195.2 million for the Year. The gross profit margin of engineering, consulting and technical services of the Group decreased from 36.5% for the year ended 31 December 2021 to 24.6% for the Year. The decrease in revenue and gross profit of engineering, consulting and technical services was mainly because of higher contract amount with higher gross profit margin during in previous year.

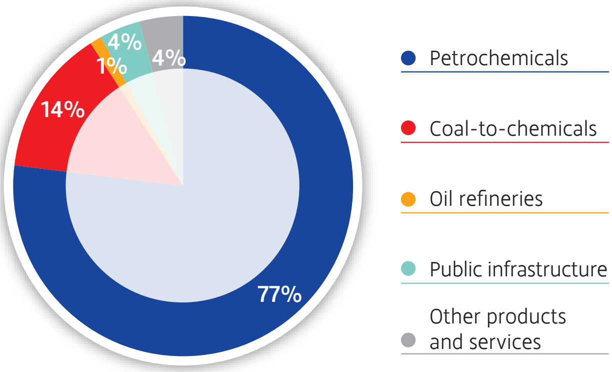
Details of comprehensive revenue breakdown by industries in which our clients operate are set out below:

	2022 (RMB'million)	2021 (RMB'million)	**Change (RMB'million)**	Change (%)
Petrochemicals	**2,756.3**	4,808.3	-2,052.0	-42.7%
Coal-to-chemicals	**1,005.3**	869.7	135.6	15.6%
Oil refineries	**63.7**	82.6	-18.9	-22.9%
Public infrastructure	**51.0**	243.3	-192.3	-79.0%
Other products and services	**782.5**	275.6	506.9	183.9%
	4,658.8	6,279.5	-1,620.7	-25.8%

2022



2021



The revenue of petrochemical business segment decreased by -42.7%. This was mainly due to the fact that the new petrochemical projects were awarded to the Group near the end of the Year and revenue contribution from these petrochemical projects were relatively limited.

The revenue of coal-to-chemicals business segment increased by 15.6%. The coal-to-chemicals projects located in Shandong and Henan, China were well in progress, driving the increase in revenue of coal-to-chemicals business segment for the Year.

The revenue of oil refineries business segment decreased by 22.9%. This was mainly because the Group's oil refinery projects located in Abu Dhabi were approaching to the middle to late construction phase.

The revenue of public infrastructure business segment decreased by 79.0%. This was due to the delay in progress of the Group's domestic sewage infrastructure projects as a result of COVID-19 pandemic.

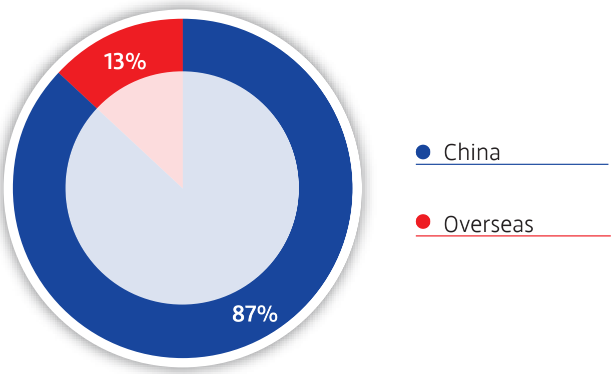
The revenue of other products and services business segment increased by 183.9%. This was mainly because the new materials project located in Xinjiang were well in progress.

Management Discussion and Analysis

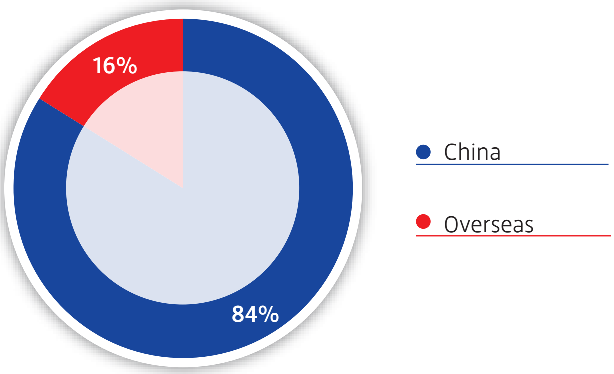
Details of comprehensive revenue breakdown by geographic locations of our projects are set out below:

	Year ended 31 December			
	2022		2021	
	Revenue (RMB'million)	**Percentage of total revenue (%)**	Revenue (RMB'million)	Percentage of total revenue (%)
Mainland China	**4,042.5**	**86.8%**	5,284.0	84.1%
America	**120.5**	**2.6%**	63.8	1.0%
Middle East	**381.5**	**8.2%**	874.8	13.9%
Others	**114.3**	**2.4%**	56.9	1.0%
	4,658.8	**100.0%**	6,279.5	100.0%

2022 % of total revenue by geographic locations



2021 % of total revenue by geographic locations



The revenue from overseas projects of the Group accounted for approximately 13.2% and 15.9% of the total revenue for the year ended 31 December 2022 and 2021, respectively. 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 22.7% from RMB198.8 million for the year ended 31 December 2021 to RMB243.9 million for the Year. For details, please refer to note 6 to the consolidated financial statements of the Group.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 25.6% from RMB74.5 million for the year ended 31 December 2021 to RMB55.4 million for the Year, which was mainly because of the decrease in sales and marketing activities as a result of domestic pandemic.

Administrative Expenses

Administrative expenses decreased by 0.7% from RMB260.4 million for the year ended 31 December 2021 to RMB258.7 million for the Year, which is similar to the level of the last year.

Other Expenses

Details of other expenses breakdown are set out below:

	2022 **RMB million**	2021 RMB million
Research and development costs	**149.0**	168.9
Expenses in relation to operating lease income	**28.6**	22.2
Bad debt reversal	**–**	(12.4)
Provision for asset impairment	**72.3**	–
Others	**1.7**	1.5
	251.6	179.8

Other expenses increased by 39.9% from RMB179.8 million for the year ended 31 December 2021 to RMB251.6 million for the Year.

Management Discussion and Analysis

Finance Costs

Finance costs increased by 18.6% from RMB76.9 million for the year ended 31 December 2021 to RMB91.2 million for the Year. For details, please refer to note 7 to the consolidated financial statements of the Group.

Income Tax Expense

Income tax decreased by 15.4% from RMB25.9 million for the year ended 31 December 2021 to RMB21.9 million for the Year. This was mainly due to the decrease in assessable profits for the Year.

Loss for the Year

Based on the reasons above, the loss for the year increased significantly by 1,189.7% from RMB92.8 million for the year ended 31 December 2021 to RMB1,197.4 million for the Year. The Group's net profit margin was -1.5% for the year ended 31 December 2021 and decreased to -25.7% 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 28.8% from RMB857.7 million as at 31 December 2021 to RMB611.0 million as at 31 December 2022.

Financial Resources, Liquidity and Capital Structure

As at 31 December 2022, the Group's cash and bank balances amounted to RMB383.6 million, representing approximately 7.8% of the Group's current assets (31 December 2021: RMB931.3 million, representing approximately 15.6% of the Group's current assets).

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

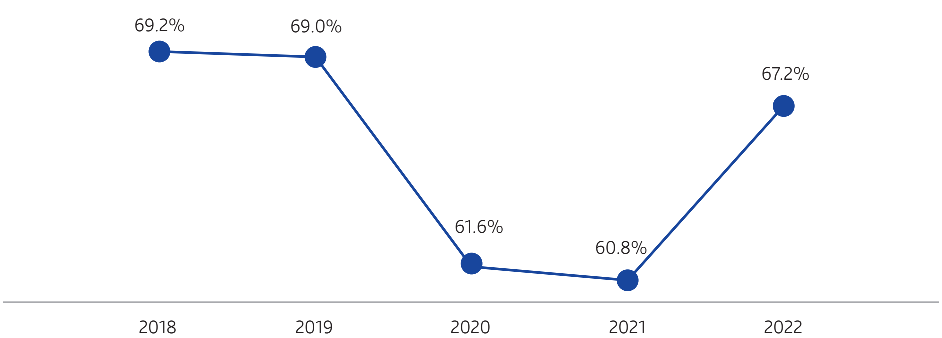
	For the year ended 31 December	
	2022	2021
	RMB million	RMB million
Net cash flows from operating activities	**-594.9**	256.5
Net cash flows from investing activities	**39.8**	(4.4)
Net cash flows from financing activities	**-2.8**	217.3

As at 31 December 2022 and 2021, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at 31 December	
	2022	2021
	RMB million	RMB million
Hong Kong Dollar	**5.7**	14.2
US Dollar	**272.2**	193.6
Renminbi	**602.2**	1,327.5
Saudi Riyal	**82.6**	46.8
Euro	**3.9**	4.3
South African Rand	**1.7**	1.9
UAE Dirham	**0.8**	1.3
Russian Ruble	**0.8**	1.2

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.

Asset-Liability Ratio



Management Discussion and Analysis

Interest-bearing bank and other borrowings of the Group as at 31 December 2022 and 31 December 2021 were set out in the table follow. The short-term bank borrowings of the Group accounted for 100.0% of the total bank borrowings as at 31 December 2022 (31 December 2021: 100%).

	As at 31 December	
	2022	2021
	RMB million	RMB million
Current		
Bank loans repayable within one year		
— Secured	**258.6**	336.5
— Unsecured	**249.6**	100.0
Current portion of long-term bank loans — Secured	**679.1**	736.5
	1,187.6	1,173.0

Bank borrowings were denominated in Renminbi at 31 December 2022 and 31 December 2021. As at 31 December 2022, bank borrowings amounting to RMB1,087.5 million (31 December 2021: RMB1,173.0 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 2022	3.70% to 5.88%
Year ended 31 December 2021	2.60% to 5.88%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2022 and 31 December 2021, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
			RMB million		
31 December 2022					
Interest-bearing bank and other borrowings	**989.4**	**2.1**	**181.7**	**–**	**1,173.2**
31 December 2021					
Interest-bearing bank and other borrowings	747.3	90.7	344.8	–	1,182.8

Management Discussion and Analysis

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

Subsequent to 31 December 2022, the Group has succeeded to enter into a supplementary credit facility agreement with a certain bank to withdraw the financial covenant (which entitled the bank to demand for immediate repayment of the principal amount of RMB678,000,000, of which RMB619,500,000 have been granted with original repayment term after 31 December 2023). Accordingly, the Group has rectified the covenant breached and the repayment period of the relevant bank loan amounts will be pertained as original term which is subsequent to 31 December 2023.

Material Acquisitions and Disposals

On 21 April 2022, Wison Engineering Ltd. (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Rongshuxia Property Service Management Company Limited (the "**Purchaser**"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser agreed to buy an office unit located at Chaoyang District, Beijing, the People's Republic of China (the "**PRC**") at the aggregate consideration of RMB40,000,000.

For details, please refer to the Company's announcements dated 21 April 2022 and 26 April 2022. The transaction was completed on 26 July 2022.

Save as disclosed above, during the Year, the Group had no material acquisitions and disposals.

Capital Expenditure

The capital expenditure of the Group amounted to RMB13.9 million for the Year (2021: RMB43.5 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 2022, a sub-contractor of Wison Engineering Ltd. ("**Wison Engineering China**", a wholly-owned subsidiary of the Company) filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB680,000. As at 31 December 2022, a certain bank account of Wison Engineering China of RMB700,000 was frozen by the People's Court of Taixing City for property preservation.

(2) During 2022, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB23,223,000.

Management Discussion and Analysis

(3) During 2022, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB4,108,000.

(4) During 2022, a sub-contractor of Jiangsu Wison Construction Technology Limited ("**Jiangsu Wison**", a wholloy-owned subsidiary of the Company) filed a claim to the People's Court of Hekou District, Dongying City, Shandong Province in Mainland China against Jiangsu Wison for an additional payment of construction costs and liquidation damages of approximately RMB3,559,000.

(5) During 2022, a sub-contractor of Jiangsu Wison filed a claim to the People's Court of Gaogang District, Taizhou City, Jiangsu Province in Mainland China against Jiangsu Wison for an additional payment of construction costs and liquidation damages of approximately RMB1,954,000.

As at the date of approval of the financial statements, for the cases above, Wison Engineering China, Jiangsu Wison and their respective sub-contractors have completed the first pre-trial evidence exchange in court and cross-examination.

The Directors are of the opinion that additional provision has been made for case (1) and case (2). For the other three cases which are without merits, the possibility for the Group being subject to additional payment claims is expected to be remote on the basis of the available evidence and legal advice obtained, the Directors are of the opinion that no additional provision is required.

Pledge of Assets

As at 31 December 2022, certain buildings of RMB3,494.1 million, future years right of receiving rental income from certain properties, as well as trade and bills receivables for certain projects were pledged as securities for bank facilities of the Group.

Human Resources

As at 31 December 2022, the Group had 1,370 employees (31 December 2021: 1,323 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 RMB645.7 million (during the year ended 31 December 2021: RMB661.5 million). The Group adopted the 2022 Share Option Scheme on 20 December 2022 as encouragement and reward for the contributions of employees to the Company.

Directors and Senior Management

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhou Hongliang (周宏亮), age 53, is an executive Director of our Company and Chief Executive Officer of our Group. He has been an executive Director since 10 September 2013 and was appointed as the Chief Executive Officer on 31 December 2022. He is primarily responsible for the overall management, decision-making and strategy planning of our Group. He graduated from Liaoning Shihua University (遼寧石油化工大學), formerly known as the Fushun Petroleum Institute (撫順石油學院) in 1991. He received his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2014. He obtained the qualification of constructor from the Ministry of Construction of the People's Republic of China (中華人民共和國建設部) in 2006. He was responsible for project management in Sinopec Ningbo Engineering Co., Ltd. from 1991 to 2002. From 2002 to 2004, Mr. Zhou worked as a deputy manager in the Ethylene Project Team in Shanghai SECCO Petrochemical Company Limited (上海賽科石油化工有限責任公司). Mr. Zhou joined our Group in January 2005 as a manager of the construction management department of Wison Engineering and was appointed as the deputy general manager of Wison Engineering in January 2008. He has over 30 years of experience in the petrochemicals industry.

Mr. Zhou is entitled to a director's fee of RMB25,000 per month and an additional monthly remuneration of RMB175,000 (which is subject to annual review by the Board and the remuneration committee of the Company) and he is also entitled to a discretionary bonus as may be determined by the Board and the remuneration committee of the Company based on the performance of duties and the Company's earnings. The remuneration of Mr. Zhou is determined with reference to his duties, responsibilities and experience, and the prevailing market conditions.

Mr. Zheng Shifeng (鄭世鋒), age 55, is a senior vice president of our Group and was appointed as an executive Director of our Company on 1 September 2020. He is responsible for the execution of domestic and overseas projects. Mr. Zheng graduated from Hefei University of Technology (合肥工業大學) with a major in welding technology and equipment in 1990 and obtained a bachelor's degree in engineering. He has been engaging in the project management in the petrochemicals and coal-to-chemicals industries and gained extensive experience. He holds the title of senior engineer and the qualification of registered qualification certificate professional constructor of electrical and mechanical engineering in the PRC (國家註冊機電工程專業一級建造師). He also holds an EMBA degree from China

Europe International Business School (中歐國際工商學院). From 1996 to 2004, he worked as a project manager in the engineering department of Sinopec Qilu Petrochemical Corporation. Mr. Zheng joined our Group in 2004 and has successively served as the deputy manager and the general manager of the Project Management Department as well as the vice president of our Group and was once in charge of the execution of Group's domestic and overseas projects and international business in the Middle East and partial region of Africa. Mr. Zheng is a member of council of Shanghai Association of International Services Trade. Mr. Zheng has over 30 years of experience in the petrochemicals industry.

NON-EXECUTIVE DIRECTOR

Mr. Liu Hongjun (劉洪鈞), aged 50, joined our Company as a non-executive Director on 19 February 2020 and appointed as Chairman on 5 February 2021. He obtained a bachelor degree in chemical engineering and processes and a master degree in chemical engineering from Tsinghua University in the PRC in 1996 and 1999, respectively, and an Executive Master of Business Administration (EMBA) degree from China Europe International Business School in the PRC in 2010.

Mr. Liu has over 20 years of work experience in chemical engineering industry. From July 1999 to January 2005, he worked at Shanghai Wison Chemical Engineering Co., Ltd. (上海惠生化工工程有限公司) (currently known as Wison Engineering Ltd. (惠生工程(中國)有限公司)) and held various positions, including engineer, deputy manager, manager of project department (division 1) and manager of Nanjing project department. During the period between February 2005 and October 2015, Mr. Liu served at Wison (Nanjing) Chemical Co., Ltd. (惠生(南京)化工有限公司) (currently known as Nanjing Chengzhi Clean Energy Co., Ltd (南京誠志清潔能源有限公司)) and held a number of positions, such as manager of project management department, deputy general manager, general manager, president and chairman of the board of directors. From November 2015 to November 2019, Mr. Liu served as a vice president of Wison Group Holding Limited. Since November 2015, he has been a director and president of Wison (China) Holding Company. Since November 2017, Mr. Liu has been a director of Wison Group Holding Limited. Since December 2019, he has been the president of Wison Group Holding Limited. Since January 2020, Mr. Liu has been the chairman of the board of directors of Wison (China) Holding Company. Wison Group Holding Limited is the controlling shareholder of the Company and Wison (China) Holding Company is one of its key operating subsidiaries. Currently, Mr. Liu also serves as a director at certain other subsidiaries of Wison Group Holding Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Lee (李磊), age 58, joined our Company as an independent non-executive Director on 30 March 2015. Mr. Lee has been appointed as an executive director of Globe (Jiangsu) Co. Ltd. since April 2021. During his career in the past 25 years, Mr. Lee also held several senior finance positions, serving as an independent director of Guangdong New Jingang Technology Limited (a China GEM Board Company) since August 2017 to January 2019 the Chief Financial Officer at Synutra International, Inc. (a company listed on NASDAQ) from October 2007 to October 2009; as a vice president and the Chief Financial Officer of Kasen International Holdings Limited (卡森國際控股有限公司) (a company listed on the Stock Exchange) from August 2004 to September 2007; as the Chief Financial Officer of Eagle Brand Holdings Limited (a company listed on the Singapore Stock Exchange), from July 2001 to April 2004; and as a financial controller at the Korean division of Exel Plc of the United Kingdom from

Directors and Senior Management

January 1999 to July 2001. Mr. Lee received a bachelor's degree in management and engineering from the Beijing Institute of Technology in 1984. Mr. Lee also obtained a master's degree in economics from the Renmin University of China in 1987 and a master's degree in accounting and finance from the London School of Economics and Political Science in 1992. He is also a fellow member of the Association of Chartered Certified Accountants.

Mr. Tang Shisheng (湯世生), age 66, joined our Company as an independent non-executive Director on 7 December 2015. Mr. Tang, PhD in economics, is a senior economist. Mr. Tang was admitted to Hunan College of Finance and Economics in September 1978 and became a teacher in the college after graduation in August 1981. From August 1988 to July 1994, Mr. Tang served successively as deputy general manager of the international business department of Hainan branch and branch president of Yangpu branch of the Hainan Province of China Construction Bank. From July 1994 to February 1997, Mr. Tang served successively as person in charge of preparation team and vice president of China International Capital Corporation Limited (中國國際金融有限公司) (now known as China International Capital Corporation Limited (中國國際金融股份有限公司)). From February 1997 to September 2009, Mr. Tang served successively as vice president of China Cinda Trust Investment Company (中國信達信託投資公司), vice president of China Galaxy Securities Limited Liability Company (中國銀河證券有限責任公司) (now known as China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司)), chairman of Hong Yuan Securities Co., Ltd. (a company listed on Shenzhen Stock Exchange, Stock Code: 000562). Mr. Tang acted as senior vice president of Peking University Founder Group Co., Ltd. from September 2009 to June 2012; and as chairman of Founder Capital Holdings Limited from October 2010 to June 2012. Mr. Tang served as supervisor, chairman and director of Hodojou Technology Co., Ltd. (華多九州科技股份有限公司), formerly known as Beijing HODOJOU Technology Co., Ltd (北京華多九州科技有限公司) (a company listed on National Equities Exchange and Quotations, Stock Code: 834567) from March 2012 to October 2018. Mr. Tang was an independent director of Geo-Jade Petroleum Corporation (洲際油氣股份有限公司) (formerly known as Hainan Zhenghe Industrial Group Co., Ltd. (海南正和實業集團股份有限公司), a company listed on Shanghai Stock Exchange, Stock Code: 600759) from December 2013 to July 2019. Mr. Tang has been an independent director of China CITIC Bank International Limited (中信銀行(國際)有限公司) since November 2013.

Mr. Tang graduated from Hunan College of Finance and Economics, majoring in finance in August 1981. Mr. Tang graduated in June 1987 from the Institute of Financial Research, Head Office, People's Bank of China with a master's degree in economics; and graduated from the Graduate School of the Chinese Academy of Social Sciences in July 2004 with a doctoral degree in economics.

Directors and Senior Management

Mr. Feng Guohua (馮國華), age 54, joined our Company as an independent non-executive Director on 28 December 2015. Mr. Feng has over 27 years of experience in information technology and management of consultancy services. Mr. Feng has extensive international exposure and experience in providing consulting services to multinational companies, state-owned enterprises and private enterprises.

Mr. Feng is currently served as an independent director of Shanghai Jahwa United Co., Ltd. (Stock code: 600315.SH), (which is listed on Shanghai Stock Exchange).

Prior to that, Mr. Feng had served as an executive director and the Chief Executive Officer of Man Wah Holdings Limited (Stock code: 01999.HK) from November 2020 to March 2022, the general manager of the Greater China Corporate Services Department of Microsoft (China) ("**Microsoft**") from April 2016 to September 2020. Before he joined Microsoft, he had also been a Vice President and the managing partner at IBM Global Business Consulting Services Department.

Mr. Feng graduated from the University of Science and Technology of China in 1990 with a Bachelor's degree which majors in economic management and minors in computer application software. Mr. Feng also completed the Advanced Management program of Harvard Business School in 2009.

SENIOR MANAGEMENT

Ms. Chen Huimei (陳惠梅), age 55, is a vice president of our Group. She is responsible for the development, planning and execution of the Company's digital application and in charge of the new energy business unit. Ms. Chen graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in chemistry and chemical engineering in 1989, and had the qualification of senior engineer. From 1998 to 2007, Ms. Chen successively worked at Petrochina Lanzhou Petrochemical Company (中石油蘭州石化工程公司) as project manager, project director and the manager of technology management department. Ms. Chen joined our Group in 2007 and successively worked at Wison Engineering as deputy manager of the quality and safety department, manager of the technical management department, manager of the research and development center and vice president of the Group, and was once in charge of technology research, engineering design, information technology as well as quality and safety. Ms. Chen has 30 years' experience in the petrochemicals industry. She obtained an EMBA degree from the Chinese University of Hong Kong in 2015.

Directors and Senior Management

Mr. Li Yansheng (李延生), age 58, is the chief engineer of our Group. He is mainly responsible for guiding and leading the technology development of Wison Engineering and supporting and participating in internal technology research and development of Wison Engineering. Mr. Li graduated from Qingdao Institute of Chemical Technology (青島化工學院) with a bachelor's degree in organic chemical engineering. Mr. Li also obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. Mr. Li then obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in 2010. Prior to joining our Group, Mr. Li worked at Shandong Qilu Petrochemical Engineering Co. Ltd as vice chief engineer from 1987 to 2004. Mr. Li joined our Group in 2004 and worked at the technical department of Wison Engineering. He then worked in the design management department and technical management department of Wison Engineering as a manager and vice chief engineer in 2005 and 2006, respectively. Mr. Li was working at Wison Engineering as an assistant to general manager and technical director in 2008. Since 2017, Mr. Li has been working at Wison Engineering as chief engineer and chief scientist. Mr. Li also received various awards such as First-class Technical Progress Award (科技進步一等獎) from All-China Federation of Industry & Commerce (中華全國工商業聯合會) and the nationwide outstanding chemical engineering worker (全國化工優秀科技工作者) from China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) in 2010. He earned the title as a master of exploration design in the petroleum industry of the PRC in 2013. In 2018, he was awarded the "Nomination Award for Meritorious Figure" from Shanghai Exploration & Design Trade Association for echoing 40th anniversary of Reform and Opening up.

Report of the Directors

Report of the Directors

The board of directors of the Company (the "**Board**") is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (the "**Group**"), for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group, a discussion and analysis using financial key performance indicators and an account of the Group's relationships with its key stakeholders that have a significant impact on the Group are set out in the Business Overview and Management Discussion and Analysis sections of this report. An indication of likely future development in the Group's business is set out in the Business Overview section of this report. Particulars of important events affecting the Group that have occurred since the end of the financial year are set out in the Business Overview section and the Notes to the financial statements.

The Group's business, financial condition or results of operation may be affected by a number of risks and uncertainties. Description of the principal risks and uncertainties facing the Group can be found in the Business Overview section and Note 37 to the financial statements.

Environmental Policies and Performance

The Group has established and implemented environmental management systems in accordance with the GB/T 24001-2004/ISO14001:2004 standards, and obtained the Environmental Management System Certificate after qualifying under the review by a third-party certification body. The Group strictly adheres to laws and regulations related to environmental protection, actively pursues the development strategies of "Green Engineering", and through implementing controls at different stages of the engineering design and construction process, achieves the goals of energy saving, emission reduction and environmental protection. In the feasibility studies, basic (preliminary) design and overall design phases of engineering construction projects, the Group has compiled specifications on environmental protection and energy saving in accordance with relevant environmental protection and energy saving design specifications and requirements, and determined the investments required for the prevention of and remedy for pollution, and energy saving measures. In the construction phase of engineering projects, the Group effects soil protection through the adoption of anti-leakage measures; the Group enables full utilization of reusable resources through the sorting, collection and treatment of waste; and the Group reduces wastage of materials through the use of advanced material management systems to optimize construction plans and enable precise calculations.

Compliance with Relevant Laws and Regulations

With respect to the compliance with laws and regulations, the Group proactively keeps itself abreast of regulatory updates. Apart from the above, details of the Group's compliance with relevant laws and regulations which have a significant impact on the Group are also provided in the Business Overview, Management Discussion and Analysis and Corporate Governance Report sections of this report. These review and discussion form part of this report of the Directors.

Further details of the Group's environmental, social and governance ("**ESG**") matters will be set out in the ESG Report to be published by the Company separately in due course and will be made available on the website of the Company and that of the Stock Exchange.

SUBSEQUENT EVENTS

Subsequent to 31 December 2022, the Group entered into a supplemental credit facility agreement with a certain bank to withdraw the financial covenant in the original credit facility agreement, which entitled the bank to demand for immediate repayment of the principal amount of RMB678,000,000 (of which RMB619,500,000 have been granted with original repayment term after 31 December 2023). Accordingly, the Group has rectified the covenant breached and the repayment period of the relevant bank loan will be pertained as original term, which is subsequent to 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the aggregate purchases of raw materials attributable to the Group's five largest suppliers accounted for approximately 14.4% of the Group's total purchases. Our purchases attributable to the single largest supplier accounted for approximately 3.7% of the Group's total purchases for the same period.

For the year ended 31 December 2022, our five largest clients, in aggregate, accounted for approximately 68.0% of our total revenue. Our revenue derived from the single largest client for the same period amounted to approximately 19.2% of our total revenue.

None of our Directors, any of their close associates or any shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers or clients during the year ended 31 December 2022.

Report of the Directors

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates as at 31 December 2022 are set out in Notes 1 and 18 to the financial statements, respectively.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 83 to 84 of this report.

FINAL DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2022 (2021: nil).

DONATIONS

No donations were made by the Group during the year ended 31 December 2022 (2021: nil).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year are set out in Note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Notes 30 and 31 to the financial statements and the section headed "Share Option Schemes" below, respectively.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2022 are set out in Note 39 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB1,238,778,000.

DIRECTORS

The directors during the year and as at the date of this report are:

Executive Directors

Mr. Zhou Hongliang *(Chief Executive Officer)*(1)
Mr. Yan Shaochun *(Chief Executive Officer)*(2)
Mr. Dong Hua(3)
Mr. Zheng Shifeng

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors

Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

Notes:

(1) Mr. Zhou Hongliang was appointed as the Chief Executive Officer with effect from 31 December 2022.

(2) Mr. Yan Shaochun has resigned with effect from 31 December 2022.

(3) Mr. Dong Hua has resigned with effect from 2 August 2022.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 34 to 38 of this report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a three-year service contract with the Company, which is effective from their respective appointment dates and is subject to termination before expiry by either party giving not less than six months' notice in writing to the other. Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company which commenced from their respective appointment dates for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

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

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

REMUNERATION POLICY

The Company has established a formal and transparent policy to determine remuneration package of individual Directors and employees. The Board believes that the ability to attract, motivate and retain skilled and experienced personnel is of significant importance to the long-term successful development of the Group.

With the shareholders' approval at general meeting, the Board is authorised to fix the Directors' remuneration including directors' fee. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group. In particular, the Remuneration Committee is mandated to, among others, (i) assess, review and make recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and the senior management of the Company, (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, (iii) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, make recommendations to the Board on the remuneration packages of individual executive Directors and senior management (including benefits in kind, pension rights and compensation payments), (iv) make recommendations to the Board on the remuneration of non-executive Directors and (v) cater for the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level.

Report of the Directors

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in Note 9 to the financial statements in this report.

A review of the employees' remuneration and remuneration policy of the Group during the Year is set out in the section headed "Management Discussion and Analysis" on page 32 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company and/or any of his connected entity had a material interest, whether directly or indirectly, and no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at anytime during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2022, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

(a) Long position in the ordinary shares of the Company (the "Shares")

Name of Director	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Zhou Hongliang	Company	Beneficial owner	3,250,000(L)	0.08%
Zheng Shifeng	Company	Beneficial owner	2,250,000(L)	0.06%
Liu Hongjun	Company	Beneficial owner	1,000,000(L)	0.02%

Note:

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

(b) Long position in underlying Shares — share options

The following Directors have personal interests in options to subscribe for the Shares:

Name	Date of grant	Exercisable period	Number of share options: Balance as at 1 January 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Balance as at 31 December 2022	Exercise price per share (HK$)
Lawrence Lee	14 November 2017	15 November 2018 to 14 November 2022	1,000,000	–	–	1,000,000	–	1.744
Tang Shisheng	14 November 2017	15 November 2018 to 14 November 2022	1,000,000	–	–	1,000,000	–	1.744
Feng Guohua	14 November 2017	15 November 2018 to 14 November 2022	1,000,000	–	–	1,000,000	–	1.744

Report of the Directors

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

2012 Share Option Scheme

On 30 November 2012, a share option scheme (the "**2012 Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The 2012 Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten years from the adoption date. The 2012 Share Option Scheme expired on 29 November 2022.

The purposes of the 2012 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group. Pursuant to the 2012 Share Option Scheme, the Board may offer any eligible persons, being employee (whether full-time or part-time), Director, consultant or adviser of our Group, options to subscribe for Shares. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time. Subject to the above, the Board may grant options under the 2012 Share Option Scheme in respect of such number of Shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Shares commenced on the main board of the Stock Exchange (the "**2012 Scheme Mandate Limit**") (being 400,000,000 Shares). Following the expiry of the 2012 Share Option Scheme and adoption of the 2022 Share Option Scheme (as defined below), as at 31 December 2022, the total number of Shares which may be issued on the exercise of options granted or to be granted under the share schemes of the Company is 407,376,780, representing approximately 10% of the issued share capital of the Company as at the date of this report. Options lapsed in accordance with the 2012 Share Option Scheme shall not be counted for the purpose of calculating the 2012 Scheme Mandate Limit. Unless approved by the shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each eligible person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

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

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

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

(iii) the nominal value of the Shares.

An option may be exercised in whole or in part by the option holder in accordance with the terms of the 2012 Share Option Scheme at any time during the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the date of grant of the relevant option. Terms and conditions of options can be specified upon grant of such options, which may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the 2012 Share Option Scheme or the Listing Rules.

The following table discloses movements in the outstanding share options granted under the 2012 Share Option Scheme during the Year:

			Number of share options						
Category	Date of grant	Exercisable period	Balance as at 1 January 2022	Granted during the Year	Exercised during the Year	Lapsed/ forfeited during the Year	Cancelled during the Year	Balance as at 31 December 2022	Exercise price per share HK$
Executive director[5]	1 April 2021[1]	1 April 2022 to 31 March 2027[2]	30,000,000	–	–	24,000,000	6,000,000	–	0.459
Independent non-executive directors[6]	14 November 2017[3]	15 November 2018 to 14 November 2022[4]	3,000,000	–	–	3,000,000	–	–	1.744
Employees	14 November 2017[3]	15 November 2018 to 14 November 2022[4]	104,137,500	–	–	103,175,000	962,500	–	1.744
Total			**137,137,500**	**–**	**–**	**130,175,000**	**6,962,500**	**–**	

Notes:

1. The closing prices of the Shares immediately before the grant of share options on 1 April 2021 was HK$0.44.

2. The share options granted (the "**Granted Options**") shall be vested to the grantees in accordance with the vesting schedule as follows: (i) as to 20% of the total number of Granted Options on 1 April 2022; (ii) as to 20% of the total number of Granted Options on 1 April 2023; (iii) as to 20% of the total number of Granted Options on 1 April 2024; (iv) as to 20% of the total number of Granted Options on 1 April 2025; and (v) as to 20% of the total number of Granted Options on 1 April 2026. Once vested, the share options shall be exercisable on a cumulative basis.

3. The closing prices of the Shares immediately before the grant of share options on 14 November 2017 was HK$1.74.

4. The Granted Options shall be vested to the grantees in accordance with the vesting schedule as follows: (i) as to 25% of the total number of Granted Options on 14 November 2018; (ii) as to 25% of the total number of Granted Options on 14 November 2019; (iii) as to 25% of the total number of Granted Options on 14 November 2020; and (iv) as to 25% of the total number of Granted Options on 14 November 2021. Once vested, the share options shall be exercisable on a cumulative basis.

5. Mr. Yan Shaochun has resigned as an executive Director and Chief Executive Officer with effect from 31 December 2022.

6. Details of share options granted to the independent non-executive Directors are disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above.

Report of the Directors

Details of fair value of options at the date of grant and the accounting standard and policy adopted are set out in Note 31 to the financial statements. As at 31 December 2022, the total number of shares in respect of which options have been granted and outstanding under the 2012 Share Option Scheme is nil. Save as disclosed above, no option has been granted, cancelled or lapsed under the 2012 Share Option Scheme during the year ended 31 December 2022.

2022 Share Option Scheme

On 20 December 2022, a share option scheme (the "**2022 Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The 2022 Share Option Scheme shall be valid and effective for a period of ten years commencing from its adoption date. As at the date of this report, the remaining life of the 2022 Share Option Scheme is approximately nine years and nine months.

The purpose of the 2022 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees and directors of the Group and to promote the success of the business of the Group. Pursuant to the 2022 Share Option Scheme, the Board may offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full-time or part-time) or a director of the Company or any of its subsidiaries (the "**Eligible Persons**").

The maximum number of Shares which may be issued in respect of all options to be granted under the 2022 Share Option Scheme and any options or awards granted under any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date of the 2022 Share Option Scheme (the "**2022 Scheme Mandate Limit**") (being 407,376,780 Shares). Therefore, as at 31 December 2022, the total number of Shares which may be issued on the exercise of options granted or to be granted under the 2022 Share Option Scheme and any other schemes is 407,376,780, representing approximately 10% of the issued share capital of the Company as at the date of this report. Option lapsed in accordance with the 2022 Share Option Scheme shall not be regarded as utilized for the purpose of calculating the 2022 Scheme Mandate Limit. Unless approved by the shareholders in a general meeting, no options shall be granted to any Eligible Person which, if exercised, would result in the number of Shares issued and to be issued in respect of all options granted under the 2022 Share Option Scheme and any options or awards granted under any other schemes to such Eligible Person (excluding any lapsed options and awards) in the 12-month period up to and including the date of offer of such options, in aggregate exceeds 1% of the Shares in issue at such date.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The exercise price of an option shall be such price as determined by the Board and notified to an option-holder which shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option, which must be a business day; and

(iii) the nominal value of the Shares.

Any option shall be vested on an option-holder according to any vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be) as specified in the offer of the option. The vesting period for an option shall not be less than 12 months. However, if an option is granted to an Eligible Person who is an employee, a shorter vesting period for such option may be determined under certain circumstances specified in the 2022 Share Option Scheme rules.

Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may be exercised after the offer of options has been vested. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by the Company and/or an option-holder before the option can be exercised.

Further details of the principal terms of the 2022 Share Option Scheme are set out in the circular of the Company dated 5 December 2022.

During the period from 20 December 2022 (i.e. the adoption date of the 2022 Share Option Scheme) to 31 December 2022, no option had been granted or agreed to be granted by the Company pursuant to the 2022 Share Option Scheme.

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

As at 31 December 2022, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held[1]	Approximate percentage of shareholding
Wison Engineering Investment Limited ("**Wison Investment**")	Company	Beneficial owner	3,088,782,146(L)	75.82%
Wison Group Holding Limited ("**Wison Holding**")	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Mr. Hua Bangsong[3]	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Ms. Huang Xing[4]	Company	Interest of spouse	3,088,782,146(L)	75.82%

Notes:

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

(2) Wison Holding, as the sole shareholder of Wison Investment, is deemed or taken to be interested in the Shares which are owned by Wison Investment.

(3) Mr. Hua Bangsong, as the sole shareholder of Wison Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wison Holding.

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

Save as disclosed above, as at 31 December 2022, there are no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under Section 336 of the SFO, or which are notified to the Company.

CONNECTED TRANSACTIONS

Mr. Hua Bangsong ("**Mr. Hua**"), a controlling shareholder of our Company, is a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Wison Holding, a company wholly-owned by Mr. Hua, holds 100% of Wison Investment. Wison Investment owns approximately 75.82% of our Company as at the date of this report, and therefore is a controlling shareholder and a connected person of our Company under the Listing Rules.

Wison (China) Holding Company ("**Wison (China) Investment**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison (China) Investment is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison Engineering Ltd. ("**Wison Engineering**") is an indirect wholly-owned subsidiary of the Company.

Shanghai Wison Offshore & Marine Co., Ltd. ("**Shanghai Wison Marine**") is an indirect subsidiary of Wison Holding. Shanghai Wison Marine is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison (Taizhou) New Material Technology Co., Ltd. ("**Wison Taizhou**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison Taizhou is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison Investment (Hong Kong) Limited ("**Wison Investment (HK)**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison Investment (HK) is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison USA, LLC (formerly known as Wison Petrochemicals (NA), LLC) is an indirect wholly-owned subsidiary of the Company.

Wison Holding and its subsidiaries are referred to as Wison Group herein.

One-off Connected Transactions

The following transactions are one-off connected transactions entered into by our Group during the year ended 31 December 2022:

1. **Wison Taizhou POE Pilot Test EPC Contract**

   On 25 August 2021, Wison Engineering and Wison Taizhou entered into a POE pilot test EPC contract (the "**Wison Taizhou POE Pilot Test EPC Contract**"), pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its project in relation to POE Pilot Test in Taixing Economic Development Zone, Jiangsu Province, the PRC. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB19,937,000 which comprises the reimbursement of the engineering costs to be incurred by Wison Engineering and the design fees, project management fees and remuneration payable by Wison Taizhou to Wison Engineering. Besides, pursuant to the Wison Taizhou POE Pilot Test EPC Contract, Wison Engineering will be entitled to certain incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety. It is expected that the total amount of such incentive payments will be no more than RMB2,000,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB21,937,000. The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou POE Pilot Test EPC Contract depends on the actual engineering costs to be

Report of the Directors

incurred by Wison Engineering, which will in turn affect the amount of final remuneration and the Engineering Costs Related Incentive Payment payable to Wison Engineering, as well as the total incentive payments which Wison Engineering is entitled. For the year ended 31 December 2022, the relevant revenue recognized by the Group for this project was RMB412,000.

The connected transaction contemplated under the Wison Taizhou POE Pilot Test EPC Contract was announced on 25 August 2021.

2. **Topside Engineering Design Contract**

   On 16 November 2022, Wison Engineering and Shanghai Wison Marine entered into a topside engineering design contract (the "**Topside Engineering Design Contract**"), pursuant to which Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design of the Marine XII Congo LNG Project. The Topside Engineering Design Contract shall take retrospective effect from 8 August 2022. The total contract price payable by Shanghai Wison Marine to Wison Engineering under the Topside Engineering Design Contract is expected to be no more than RMB45,000,000, which represents (i) the design fees payable by Shanghai Wison Marine to Wison Engineering and (ii) out-of-pocket expenses to be incurred by Wison Engineering. The final total amount payable to Wison Engineering by Shanghai Wison Marine under the Topside Engineering Design Contract depends on (a) the actual labour costs to be incurred by Wison Engineering, which will in turn affect the amount of final design fees, and (b) the out-of-pocket expenses to be actually incurred by Wison Engineering. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Topside Engineering Design Contract will not result in the final total amount receivable exceeding RMB45,000,000.

   For the year ended 31 December 2022, the relevant revenue amount recognized by the Group under the Topside Engineering Design Contract was RMB6,945,000.

   The connected transaction contemplated under the Topside Engineering Design Contract was announced on 16 November 2022.

3. **Entrustment Guarantee Agreement**

   On 22 December 2022, Wison Engineering (as the entrusted guarantor) and Wison Holding (as the guarantor) entered into an entrustment guarantee agreement (the "**Entrustment Guarantee Agreement**") in relation to a parent company guarantee (the "**Guarantee**") provided by Wison Holding for Wison Engineering in favour of Zapsibneftekhim LLC, which provides assurances for the fulfilment of Wison Engineering's obligations arising under and in connection with certain engineering, procurement and site services contracts entered into between Wison Engineering and Zapsibneftekhim LLC. Pursuant to the Entrustment Guarantee Agreement, Wison Engineering shall pay a guarantee fee to Wison Holding calculated based on 0.5% per annum of the total principal amount of the guarantee liability stated in the Guarantee. The guarantee fee rate is determined with reference to the annualized rate and cost of the Guarantee. The maximum guarantee fee is RMB30,150,000. The term of the Entrustment Guarantee Agreement commences on 1 January 2023 and expires on 31 December 2028.

For the year ended 31 December 2022, the amount of guarantee fee payable by Wison Engineering under the Entrustment Guarantee Agreement was RMB10,000,000.

The connected transaction contemplated under the Entrustment Guarantee Agreement was announced on 22 December 2022.

Continuing Connected Transactions

For the financial year ended 31 December 2022, all the continuing connected transactions (the "**Continuing Connected Transactions**") have not exceeded their respective annual caps:

1. **2020 Property Leasing Framework Agreement**

   Wison Engineering leased to Wison (China) Investment and Shanghai Wison Marine of certain premises located at No.699 Zhongke Road, Pudong New District, Shanghai, the PRC (the "**Wison Complex**"). The Group also provided property management services to Wison (China) Investment and Shanghai Wison Marine for the premises under the leases for office use. In this connection, Wison Engineering has entered into a number of agreements with Wison (China) Investment and Shanghai Wison Marine, including a property leasing agreement dated 14 December 2018, a property leasing agreement dated 28 February 2019, a property leasing agreement dated 21 June 2019, a property leasing agreement dated 16 December 2019 and related supplemental agreements (together, the "**Existing Agreements**"). On 30 June 2020, Wison Engineering entered into a property leasing framework agreement (the "**2020 Property Leasing Framework Agreement**") with Wison Holding, pursuant to which Wison Engineering may, following the principal terms of the 2020 Property Leasing Framework Agreement, from time to time let properties and provide property management services for premises located at the Wison Complex to Wison Holding and its subsidiaries and any companies in which Wison Holding and/or its subsidiaries can control the exercise of 30% or more of the voting power at general meetings and/or control the composition of a majority of the board of directors (collectively, the "**Wison Holding Entities**"). The 2020 Property Leasing Framework Agreement covers and governs the leasehold relationship between the parties under all the Existing Agreements as well as any future lease arrangements entered into between Wison Engineering (as landlord) and the relevant Wison Holding Entities (as tenants) in relation to the leases of and the provision of property management services for premises located at the Wison Complex during the term of the agreement.

   The rentals under the 2020 Property Leasing Framework Agreement shall be determined with reference to the prevailing market rates. Such rentals payable shall not be less than the rentals received by Wison Engineering from independent third party tenants for comparable properties at the time when the leasing arrangements and implementation agreements are entered into. The property management fees shall be determined with reference to the applicable laws and regulations of the PRC from time to time. Such property management fees shall not be less than the fees received by Wison Engineering from independent third parties for providing comparable property management services at the time when the leasing arrangements and implementation agreements are entered into. The utility

Report of the Directors

charges arising from the actual usage of each of the leased premises shall be determined from time to time with reference to the prices prescribed by the relevant government authorities, property management agreements and property management conventions. The charges for conference facilities shall be determined with reference to market rates and shall not be less than the amounts charged by Wison Engineering from independent third parties. The 2020 Property Leasing Framework Agreement expired on 31 December 2022 and the transactions contemplated thereunder are subject to the annual cap of RMB44,400,000 in respect of the year ended 31 December 2022.

The 2020 Property Leasing Framework Agreement was announced by the Company on 30 June 2020.

The aggregate rental, property management fees, utility charges and charges for conference facilities payable to Wison Engineering under the 2020 Property Leasing Framework Agreement for the year ended 31 December 2022 was RMB28,441,000.

On 22 December 2022, Wison Engineering entered into a new property leasing framework agreement (the "**2023 Property Leasing Framework Agreement**") with Wison Holding (for itself and on behalf of the Wison Holding Entities) to renew the 2020 Property Leasing Framework Agreement. Similar to the terms under the 2020 Property Leasing Framework Agreement, the 2023 Property Leasing Framework Agreement covers and governs the leasehold relationship between the parties under any future lease arrangements to be entered into between Wison Engineering (as landlord) and the relevant Wison Holding Entities (as tenants) in relation to the leases of and the provision of property management services for premises located at the Wison Complex during the term of the agreement. The 2023 Property Leasing Framework Agreement shall be for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025, and the transactions contemplated thereunder are subject to the annual caps of RMB41,000,000, RMB45,000,000 and RMB48,000,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

The 2023 Property Leasing Framework Agreement was announced by the Company on 22 December 2022.

2. **Service Agreement**

On 7 June 2018, Wison Investment (HK) entered into a service agreement (the "**Service Agreement**") with Wison USA, LLC, pursuant to which Wison USA, LLC shall provide consulting, marketing and new business development services in oil and gas and petrochemical fields to Wison Investment (HK) in relation to its current and proposed operations. The Service Agreement has a term of one year from 7 June 2018 and shall automatically be renewed for one year unless the parties terminate the Service Agreement. The Service Agreement was renewed for a one year term commencing on 7 June 2021. The fee payable to Wison USA, LLC is determined based on the amount of time incurred in providing the services and is charged at an hourly rate of US$218.75, plus out-of-pocket expenses. The annual cap for the fees payable to Wison USA, LLC under the Service Agreement is US$617,000. For the year ended 31 December 2022, no revenue was recognised by the Group under the Service Agreement.

3. **Engineering Construction Services Framework Agreement**

On 30 October 2020, the Company and Shanghai Wison Marine entered into an engineering construction services framework agreement (the "**Engineering Construction Services Framework Agreement**"), pursuant to which relevant members of the Shanghai Wison Marine Group (being Shanghai Wison Marine and its subsidiaries and associates) may, following the principal terms of the Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the Engineering Construction Services Framework Agreement. Pursuant to the Engineering Construction Services Framework Agreement, Wison Marine Group should provide modularized pre-fabrication and engineering construction services. The Engineering Construction Services Framework Agreement has a term of three years commencing from 1 January 2021 to 31 December 2023. The contract sums contemplated under the Engineering Construction Services Framework Agreement are subject to the annual cap of RMB1,750,000,000 for each of the three years ended and ending 31 December 2021, 2022 and 2023. The pricing and terms of each particular project contemplated under the Engineering Construction Services Framework Agreement shall be determined in the ordinary and usual course of business on normal commercial terms and on an arm's length basis.

The aggregate contract sums entered into by the Company during the year ended 31 December 2022 was RMB122,321,000 and the procurement cost incurred by the Company for the year ended 31 December 2022 was RMB77,308,000.

The Engineering Construction Services Framework Agreement was announced by the Company on 30 October 2020 and was approved by independent shareholders of the Company at the extraordinary general meeting held on 30 November 2020.

4. **2020 Wison Holding Service Agreement**

On 23 January 2020, the Company entered into a service agreement with Wison Holding (the "**2020 Wison Holding Service Agreement**"), pursuant to which the Group shall provide to Wison Group consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the business operations of Wison Group (collectively, the "**Group Services**"), and Wison Group shall provide to the Group information technology services and legal and compliance services (collectively, the "**Wison Group Services**"). The term of the 2020 Wison Holding Service Agreement commenced on 23 January 2020 and expired on 31 December 2022. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group under the 2020 Wison Holding Service Agreement are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administration expenses actually incurred. The fee shall be payable quarterly in cash. The annual cap for the fees receivable by the Group from Wison

Group under the 2020 Wison Holding Service Agreement is RMB30,000,000 for the year ended 31 December 2022 and the annual cap for the fees payable by the Group to Wison Group under the 2020 Wison Holding Service Agreement is RMB21,780,000 for the year ended 31 December 2022. For the year ended 31 December 2022, the service fee revenue recognised by the Group from Wison Group and the cost of service fee incurred by the Group from Wison Group was RMB11,498,000 and RMB5,462,000, respectively.

The 2020 Wison Holding Service Agreement was announced by the Company on 23 January 2020.

On 22 December 2022, the Company entered into a new service agreement with Wison Holding (the "**2023 Wison Holding Service Agreement**") to renew the 2020 Wison Holding Service Agreement. Similar to the terms under the 2020 Wison Holding Service Agreement, the Group shall provide the Group Services to Wison Group and Wison Group shall provide the Wison Group Services to the Group under the 2023 Wison Holding Service Agreement. The annual caps for the fees receivable by the Group from Wison Group under the 2023 Service Agreement are RMB20,000,000, RMB20,000,000 and RMB20,000,000 for the years ending 31 December 2023, 2024 and 2025, respectively, and the annual caps for the fees payable by the Group to Wison Group under the 2023 Service Agreement are RMB18,000,000, RMB19,800,000 and RMB21,780,000 for the years ending 31 December 2023, 2024 and 2025, respectively.

The 2023 Wison Holding Service Agreement with was announced by the Company on 22 December 2022.

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

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

(ii) on normal commercial terms; and

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

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group during the year ended 31 December 2022 are set out in Note 32 to the financial statements. During the year ended 31 December 2022, certain related party transactions set out in Notes 32(a)(i), 32(a)(ii), 32(a)(iii), 32(a)(iv), 32(a)(v), 32(a)(vii) and 32(a)(viii), are regarded as continuing connected transactions or connected transactions of the Group, under Chapter 14A of the Listing Rules.

In respect of the connected transactions and continuing connected transactions entered into during the year ended 31 December 2022, the Company has complied with the disclosure requirements under the Listing Rules.

EQUITY-LINKED AGREEMENTS

Other than the 2012 Share Option Scheme and the 2022 Share Option Scheme as disclosed under the section headed "Share Option Schemes" above, no equity-linked agreements were entered into by the Company during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2022.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 to 7 of this report.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2022 are set out in Note 27 to the financial statements.

EMOLUMENT POLICY

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

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 3 to the financial statements.

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all liabilities incurred by such Directors, secretary or other officers in the execution of their duty. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions that may be brought against the Directors, secretary or other officers of the Company.

PUBLIC FLOAT

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2022.

AUDITORS

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

By order of the Board
Zhou Hongliang
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2023

Corporate Governance Report

Corporate Governance Report

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2022.

During the year ended 31 December 2022, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") set out in Part 2 of Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

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

The directors as at the date of this report are:

Executive Directors

Mr. Zhou Hongliang *(Chief Executive Officer)*
Mr. Zheng Shifeng

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors

Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 34 to 38 of this report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Directors do not have any financial, business, family or other material/relevant relationships with one another.

Mr. Zhou Hongliang has entered into a service contract with us for a term of three years commencing from 10 September 2022 and shall continue thereafter unless terminated by not less than six months' written notice. Mr. Zheng Shifeng has entered into a service contract with us for a term of three years commencing from 1 September 2020 and shall continue thereafter unless terminated by not less than six months' written notice. Mr. Liu Hongjun has entered into a letter of appointment with our Company for a term of three years commencing from 19 February 2020 unless terminated by three months' written notice or in certain circumstances in accordance with the terms of his letter of appointment. Each of Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua has entered into a letter of appointment with our Company for a term of three years commencing from 30 March 2021, 7 December 2021 and 28 December 2021, respectively, unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. Notwithstanding the above, all Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB3.79 million, plus a discretionary bonus as determined by the Board and our Remuneration Committee. Mr. Liu Hongjun is not entitled to any director's fee for his appointment as non-executive Director. The basic annual remuneration payable by our Company to each of our independent non-executive Directors according to their respective letter of appointment is HK$240,000. The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and prevailing market conditions. Details of the remuneration of the Directors for 2022 are set out in Note 9 to the financial statements.

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

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Ms. Tsang Chi Ka. In compliance with Rule 3.29 of the Listing Rules, Ms. Tsang has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2022.

Corporate Governance Report

Each of the Directors (being Mr. Zhou Hongliang, Mr. Zheng Shifeng, Mr. Liu Hongjun, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua) attended various trainings in 2022, including the training on regulatory updates for Main Board listed companies as well as ESG trend, as part of their professional development. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

Code provision C.5.1 of Part 2 of the Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board committee meetings, reasonable notice is generally given. Any Director can give notice to the Chairman or the company secretary if he intends to include matters on the agenda of a Board meeting. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient details about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors. Procedures have also been agreed by the Board to enable board members to seek independent professional advice at the Company's expense. The procedures in place are reviewed on an annual basis and considered as effective.

In 2022, the Board held 10 meetings. A total of 43 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2021 annual report, 2022 interim report, the adoption of the 2022 Share Option Scheme and certain connected transactions and continuing connected transactions. The Board also considered the Company's compliance with the Code generally.

The table below sets out the details of Board meetings attendance of each Director during the year ended 31 December 2022.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Yan Shaochun[(1)]	10	9
Zhou Hongliang	10	10
Dong Hua[(2)]	6	5
Zheng Shifeng	10	9
Liu Hongjun	10	10
Lawrence Lee	10	10
Tang Shisheng	10	10
Feng Guohua	10	10

Notes:

(1) Resigned with effect from 31 December 2022.

(2) Resigned with effect from 2 August 2022.

In 2022, the Company convened and held two shareholders' general meetings, being the 2021 annual general meeting held on 14 June 2022 and the extraordinary general meeting held on 20 December 2022 for the approval of the 2022 Share Option Scheme. All the Directors by then (namely Mr. Yan Shaochun, Mr. Zhou Hongliang, Mr. Dong Hua, Mr. Zheng Shifeng, Mr. Liu Hongjun, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua) attended the 2021 annual general meeting, and all Directors by then (namely Mr. Yan Shaochun, Mr. Zhou Hongliang, Mr. Zheng Shifeng, Mr. Liu Hongjun, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua) attended the extraordinary general meeting.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out under code provision A.2.1 in Part 2 of the CG Code, reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in this corporate governance report. It plays a central supportive and supervisory role in the Company's corporate governance duties.

The governance framework adopted by the Company emphasizes effective risk management and internal control systems, accountability to shareholders, transparency in reporting and compliance with relevant rules and regulations. Such framework serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

The Company recognizes that board independence is critical to good corporate governance and board effectiveness. The participation of independent non-executive Directors in the Board brings independent and objective judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders have been duly considered.

INDEPENDENCE OF THE BOARD

To ensure independent views and input are available to the Board, the following mechanisms have been established by the Company:

(a) **Composition of the Board and Board committees:** The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. Apart from that, independent non-executive Directors shall be appointed to other Board committees as far as practicable.

(b) **Independence assessment:** The Nomination Committee must strictly adhere to the nomination policy and any other relevant policies of the Company and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. Each independent non-executive Directors is also required to inform the Company if there is any change in his/her own personal particulars that may materially affect his/her independence. The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules.

(c) **Professional advice:** Directors may seek further information from the management on the matters to be discussed at board meetings. They may also seek assistance from the Company's company secretary and, where necessary, obtain independent advice from external professional advisers at the Company's expense.

(d) **Conflicts management:** Directors shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has or deemed to have a material interest.

(e) **Meetings with the Chairman:** The Chairmen of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

BOARD COMMITTEES

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

The members of the Audit Committee, the Nomination Committee and the Remuneration Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee has three members. Mr. Lawrence Lee is the chairman of the committee and the other two members are Mr. Feng Guohua and Mr. Tang Shisheng. All members of the Audit Committee are independent non-executive Directors.

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

In 2022, the Audit Committee held 4 meetings, at which a total of 16 proposals were considered, including proposals for the consideration of the Company's 2021 annual report, 2022 interim report, the appointment of auditors for 2022 and certain connected transactions and continuing connected transactions of the Company. The Audit Committee also assessed the risk management and internal control measures and the effectiveness of the internal audit function of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2022.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Lawrence Lee	4	4
Tang Shisheng	4	4
Feng Guohua	4	4

Nomination Committee

The Nomination Committee has three members. Mr. Tang Shisheng is the chairman of the committee and the other two members are Mr. Feng Guohua and Mr. Lawrence Lee. All members of the Nomination Committee are independent non-executive Directors.

The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment of Directors and senior management. The Nomination Committee is also responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors.

Nomination Process

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company.

In recommending to the Board for the appointment of a new Director, the Nomination Committee performs in accordance with the following procedures and process as set out in the Nomination Policy:

(i) the Nomination Committee will, taking into consideration the current composition, diversity and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(ii) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from shareholders of the Company;

(iii) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(iv) upon considering whether a candidate is suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(v) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(vi) the Board will have the final authority on determining the selection of nominees.

Board Diversity Policy

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions concerning the diversity of board members. The Board Diversity Policy sets out the approach adopted by the Board regarding the diversity of Board members, and the implementation and effectiveness of the Board Diversity Policy are reviewed by the Board on an annual basis.

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. Appropriate emphasis on maintaining gender diversity has also been placed in the reviews of board composition, board diversity and succession planning to ensure a pipeline of potential successors in achieving gender diversity. In particular, the Nomination Committee has formulated a gender diversity plan for the Board to recommend the appointment of at least one female Director at the election of a new session of the Board in 2024. The Board intends to identify suitable female candidate(s) with a view to appointing one female Director no later than 31 December 2024.

As at 31 December 2022, the Group had approximately 1,370 employees (including senior management), with approximately 68% male and 32% female. The Company currently has two senior management members, with 50% male and 50% female. The Company has also taken, and will continue to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. For further details of gender ratio, please refer to the Group's ESG Report to be published separately.

Nomination Criteria

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In 2022, the Nomination Committee held 1 meeting at which a total of 5 proposals were considered, including proposals for re-election of directors.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the year ended 31 December 2022.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Tang Shisheng	1	1
Feng Guohua	1	1
Lawrence Lee	1	1

Corporate Governance Report

Remuneration Committee

The Remuneration Committee has three members. Mr. Feng Guohua is the chairman of the committee and the other two members are Mr. Lawrence Lee and Mr. Tang Shisheng. All members of the Remuneration Committee are independent non-executive Directors.

The Remuneration Committee has adopted the model code described in code provision E.1.2(c)(i) of Part 2 of the Code in its terms of reference. The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by our Company to our Directors.

The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

In 2022, the Remuneration Committee held 2 meetings, at which a total of 5 proposals were considered, including proposals for the remuneration and terms of service contracts of executive Directors, update of the terms of reference of the Remuneration Committee and the adoption of the 2022 Share Option Scheme. The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended 31 December 2022.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Feng Guohua	2	2
Lawrence Lee	2	2
Tang Shisheng	2	2

For the year ended 31 December 2022, the number of senior management (excluding Directors) whose remuneration fell within the following bands is as follows:

RMB1,500,001 to RMB2,000,000	2

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

CORPORATE GOVERNANCE FUNCTIONS

Risk Management and Internal control

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures. The Board also has the overall responsibility for evaluating and determining the nature and extent of the risks (including but not limited to material risks relating to ESG) it is willing to take in achieving the Group's strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness.

The Company has established and maintained the risk management system and internal control system according to the Corporate Risk Management Framework (企業風險管理框架) published by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). In accordance with its general goals, the Company identified, organized and analysed the key business related risks for the purposes of risk management and value creation. Regular and ad hoc risk assessments were conducted and internal control systems were reviewed annually and a refined risk management system was adopted to identify, assess and minimize risks. All these measures can provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Company has a clear organizational structure that, to the extent required, delegates the day-to-day responsibility for the formulation and implementation of procedures and monitoring of risk. Processes used to identify, evaluate and manage significant risks and processes used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects are mainly carried out in accordance with the Group's various manuals, regulations and procedures, namely the "Risk Management Manual", "Regulations of Initial Risk Management of Engineering Projects" and "Procedures for Implementation of Risk Management of Engineering Projects".

The main features of the risk management and internal control systems of the Company are comprehensive risk management which covers the entire business process of the Company and penetrates full-process control and monitoring. The effectiveness of the relevant systems in each year is confirmed through regular and ad hoc risk identification, risk assessment and risk response and follow-up work conducted by the management and business departments and each engineering project on an annual basis. The Company has established its internal audit function to carry out examination and evaluation on the review process and results, and follow up on the progress of improvement after the examination. The examination and evaluation results, recommendation for improvement and the progress of improvement in terms of risk management are then reported to the Board and the Audit Committee.

Deficiencies and insufficiency of the internal control mechanism and its implementation were identified through self-evaluation of risk and inspection. These initiatives facilitated the enhancement of the risk management system and reasonably ensured the effective operation of the risk management and internal control systems in order to safeguard the legal interest of the investors and protect the Company's assets.

The Board evaluated the sufficiency and effectiveness of risk management and internal control systems and the internal audit function of the Company through the Audit Committee. The Board considered the existing systems to be effective and adequate.

In addition, procedures and rules for information disclosure and report were also formulated and implemented in order to systematically collect and monitor the information disclosure of the Company.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2022.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Company and its subsidiaries and of the financial performance and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on pages 74 to 82 of this report. In preparing the financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the risk management and internal control systems of the Group to ensure that sound systems are maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2022, no material weakness on risk management and internal control measures has been identified. In addition, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function, as well as those relating to the Company's ESG performance and reporting.

COMPANY SECRETARY

Ms. Tsang Chi Ka has been appointed as the company secretary of the Company on 18 February 2021. She is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters.

Ms. Tsang confirmed that she has attended sufficient professional training as required in accordance with Rule 3.29 of the Listing Rules during the Year.

EXTERNAL AUDITORS

Ernst & Young are appointed as the external auditors of the Company. The Group also engaged some local auditors as its subsidiaries' statutory auditors.

In addition, Ernst & Young (China) Advisory Limited ("**Ernst & Young Advisory**", a member firm of Ernst & Young Global Network) has provided other non-audit service to the Group in 2022.

For the year ended 31 December 2022, the external auditors received the following remuneration for audit and non-audit services provided to the Group in respect of the following:

	RMB
Audit services provided by Ernst & Young	4,810,000
Audit services provided by other local auditors	1,062,000
Non-audit service provided by Ernst & Young Advisory for tax consulting	18,245
	5,890,245

DIVIDEND POLICY

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time in general meeting declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company.

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company.

The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. The Board may also pay half-yearly or at other suitable intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit. Any dividend unclaimed shall be forfeited and shall be returned to the Company in accordance with the Articles of Association and all applicable laws and regulations.

Corporate Governance Report

The Board will review the dividend policy from time to time and may adopt changes as appropriate at the relevant time.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary and deposited at the Company's principal place of business in Hong Kong at Room 5408, 54th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

SHAREHOLDERS COMMUNICATION POLICY

The Company is committed to promoting and maintaining transparent, accurate and open communication with its shareholders and other stakeholders. It has established a shareholders communication policy (the "**Shareholders Communication Policy**") to streamline policies and procedures for provision of appropriate and timely information about the Company to the shareholders, as well as for them to engage actively with the Company and to exercise their rights as shareholders in an informed manner. According to the Shareholders Communication Policy, information of the Company shall be communicated to its shareholders mainly through annual reports, interim reports, annual general meetings and other general meetings that may be convened, as well as other publications and corporate communications on the website of the Company and the website of the Stock Exchange.

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

All Directors (including non-executive Directors) and the external auditor of the Company also attended the annual general meeting of the Company held on 14 June 2022 to solicit and understand the views of shareholders and stakeholders and to answer questions raised by them.

The Board regularly reviews the implementation and effectiveness of the Shareholders Communication Policy to ensure that it reflects current best practices in communications with the shareholders and the investment community. The most recent review was conducted in March 2023 and the effectiveness of the Shareholders Communication Policy was confirmed.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022 and up to the date of this report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company and that of the Stock Exchange.

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 208 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

EY 安永

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and measurement The Group provides engineering, procurement and construction management services. Revenue from construction contracts is recognised using the input method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract, which requires significant management estimates. Relevant disclosures are included in notes 4 and 6 to the consolidated financial statements.	Our procedures in relation to the contract costs and contract revenues recorded under the percentage-of-completion method by the Group included: (i) discussing the status of significant projects in progress with management and assessing management's estimates of the total budget of contract costs and forecast costs to completion, taking into account the historical records of such estimates; (ii) reviewing samples of the construction contracts and variation orders to evaluate the Group's judgement in identifying the contract and performance obligations, and determining the transaction price considering the variable consideration; (iii) checking the related project documents, such as invoices, contracts with subcontractors, variation orders between the Group and subcontractors and the independent surveyor's assessment on the progress of the work performed by the subcontractors for the significant projects; (iv) testing on a sample basis the actual costs incurred on construction works during the reporting period and performing cut-off testing procedures to check whether costs had been recognised in the appropriate period; and (v) recalculating the revenue recognised by the Group based on the estimated progress of the construction works.

EY 安永

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets As at 31 December 2022, trade receivables and contract assets of the Group amounted to RMB1,203,684,000 and RMB2,690,902,000, respectively. As at 31 December 2022, provisions for impairment of RMB674,003,000 and RMB391,306,000 were made for trade receivables and contract assets, respectively. The expected credit loss assessment of trade receivables and contract assets involves management's significant judgement and estimation, such as those regarding the existence of disputes, historical payment record, forward-looking factors and any other available information that may impact the estimated expected credit losses. Relevant disclosures are included in notes 4, 21 and 23 to the consolidated financial statements.	Our procedures in relation to the recoverability of trade receivables and contract assets included (i) assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and contract assets, and the Group's granting of credit terms and contract terms relating to billing milestones; (ii) evaluating the Group's provisions for trade receivables and contract assets by assessing the cash settlements from customers subsequent to the year end, the existence of disputes, historical payment records, historical credit loss experience and forward-looking factors; (iii) testing on a sample basis the accuracy of ageing categories of trade receivables based on relevant invoices and construction contracts; (iv) obtaining and testing the historical observed default rates prepared by the Group; and (v) checking the calculation of expected credit losses based on the methodology adopted by the Group and assessing the adequacy of the Group's disclosures in the financial statements.

Independent Auditor's Report

EY 安永

Key audit matter	How our audit addressed the key audit matter
Valuation of buildings and leasehold land The Group measures its buildings and related leasehold land situated in the People's Republic of China (the "PRC") under the revaluation model. As at 31 December 2022, the fair values of buildings and leasehold land amounted to RMB1,441,077,000 and RMB2,080,637,000 respectively, which in aggregate represented 39% of the Group's total assets, combined with the judgements associated with determining their value values. Relevant disclosures are included in notes 13 and 15 to the consolidated financial statements.	Our procedures in relation to the valuation of buildings and leasehold land stated at fair value included: (i) evaluating the competence, capabilities and objectivity of the external valuers engaged by the Group; (ii) obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and its valuer; (iii) checking related inputs applied into the valuation and involving our internal valuation specialists to assist us in reviewing the work of the external valuers and assessing the underlying assumptions, such as comparing them to external market rents and yields if available; and (iv) evaluating the adequacy of the disclosures of the valuation of buildings and leasehold land in the consolidated financial statements.

Other information included in the annual report

The directors of the Company are responsible for the other information. The other information comprises the Business Overview and Management Discussion and Analysis on pages 9 to 32, which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report not including the consolidated financial statements and the auditor's report thereon (the "Other Sections"), which are expected to be made available after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Group's Audit Committee.

Responsibilities of the directors for the consolidated financial statements

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

EY 安永

Responsibilities of the directors for the consolidated financial statements *(continued)*

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intends to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	6	**4,658,780**	6,279,549
Cost of sales		**(4,867,080)**	(5,820,752)
Gross (loss)/profit		**(208,300)**	458,797
Other income and gains	6	**243,859**	198,763
Selling and distribution expenses		**(55,393)**	(74,493)
Administrative expenses		**(258,721)**	(260,415)
Impairment losses on financial and contract assets		**(556,772)**	(135,595)
Other expenses		**(251,635)**	(179,793)
Finance costs	7	**(91,242)**	(76,875)
Share of profits and losses of associates		**2,738**	2,626
LOSS BEFORE TAX	8	**(1,175,466)**	(66,985)
Income tax expense	10	**(21,920)**	(25,854)
LOSS FOR THE YEAR		**(1,197,386)**	(92,839)
Attributable to:			
Owners of the parent		**(1,185,486)**	(92,611)
Non-controlling interests		**(11,900)**	(228)
		(1,197,386)	(92,839)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
— Basic		**RMB(29.10) cents**	RMB(2.27) cents
— Diluted		**RMB(29.10) cents**	RMB(2.27) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(1,197,386)**	(92,839)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,254**	(4,243)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**3,254**	(4,243)
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	**19,472**	(52,954)
Income tax effect	**(2,803)**	–
	16,669	(52,954)
Gains on properties and land revaluation	**92,330**	1,356
Income tax effect	**(13,850)**	(203)
	78,480	1,153
Share of other comprehensive income of an associate	**29,277**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**124,426**	(51,801)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**127,680**	(56,044)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,069,706)**	(148,883)
Attributable to:		
Owners of the parent	**(1,057,806)**	(148,655)
Non-controlling interests	**(11,900)**	(228)
	(1,069,706)	(148,883)

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,452,129**	1,448,510
Investment property	14	**–**	9,800
Other non-current assets	23	**141,817**	–
Right-of-use assets	15(a)	**2,113,636**	2,150,814
Goodwill	16	**15,752**	15,752
Intangible assets	17	**22,380**	25,035
Investments in associates	18	**258,972**	213,022
Equity investments designated at fair value through other comprehensive income	19	**32,803**	242,697
Deferred tax assets	28	**–**	29,887
Total non-current assets		**4,037,489**	4,135,517
CURRENT ASSETS			
Equity investments designated at fair value through other comprehensive income	19	**213,072**	–
Inventories	20	**126,347**	218,351
Trade receivables	21	**529,681**	684,479
Bills receivable		**81,331**	173,221
Contract assets	23	**2,157,779**	2,697,171
Prepayments and other receivables	22	**737,584**	560,865
Due from fellow subsidiaries	32	**89,321**	37,855
Pledged bank balances and time deposits	24	**587,349**	659,694
Cash and bank balances	24	**383,592**	931,268
Total current assets		**4,906,056**	5,962,904
CURRENT LIABILITIES			
Trade and bills payables	25	**2,269,185**	3,306,846
Other payables and accruals	26	**1,158,964**	1,042,938
Interest-bearing bank and other borrowings	27	**1,187,632**	1,173,038
Lease liabilities	15(b)	**8,413**	16,602
Due to fellow subsidiaries	32	**151**	82
Due to an associate	32	**630**	630
Tax payable		**172,846**	174,763
Total current liabilities		**4,797,821**	5,714,899
NET CURRENT ASSETS		**108,235**	248,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,145,724**	4,383,522

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**23,511**	3,328
Long-term payables	25,26	**876,292**	336,413
Deferred tax liabilities	28	**398,019**	392,626
Government grants	29	**3,986**	4,116
Other non-current liabilities	26	**268,315**	–
Total non-current liabilities		**1,570,123**	736,483
Net assets		**2,575,601**	3,647,039
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**330,578**	330,578
Share premium	30	**869,201**	869,201
Other reserves	31	**1,388,274**	2,447,812
		2,588,053	3,647,591
Non-controlling interests		**(12,452)**	(552)
Total equity		**2,575,601**	3,647,039

Zhou Hongliang
Director

Zheng Shifeng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Year ended 31 December 2022	Attributable to owners of the parent											
	Share capital RMB'000 (note30)	Share premium RMB'000 (note30)	Share option reserve* RMB'000 (note 31)	Capital reserve* RMB'000 (note30)	Statutory reserve* RMB'000 (note30)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Asset revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	330,578	869,201	97,999	(101,206)	87,791	(107,802)	2,202,808	(7,857)	276,079	3,647,591	(552)	3,647,039
Loss for the year	-	-	-	-	-	-	-	-	(1,185,486)	(1,185,486)	(11,900)	(1,197,386)
Other comprehensive income for the year												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	16,669	-	-	-	16,669	-	16,669
Share of other comprehensive income of an associate	-	-	-	-	-	29,277	-	-	-	29,277	-	29,277
Gains on properties and land revaluation, net of tax	-	-	-	-	-	-	78,480	-	-	78,480	-	78,480
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	3,254	-	3,254	-	3,254
Total comprehensive income for the year	-	-	-	-	-	45,946	78,480	3,254	(1,185,486)	(1,057,806)	(11,900)	(1,069,706)
Depreciation transfer for properties and land	-	-	-	-	-	-	(45,805)	-	45,805	-		-
Transfer to statutory reserve	-	-	-	-	19,530	-	-	-	(19,530)	-	-	
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	60,049	-	-	(60,049)	-	-	-
Equity-settled share option arrangements	-	-	(1,732)	-	-	-	-	-	-	(1,732)	-	(1,732)
Transfer of share option reserve upon the expiry of share option	-	-	(96,267)	-	-	-	-	-	96,267	-	-	-
At 31 December 2022	330,578	869,201	-	(101,206)	107,321	(1,807)	2,235,483	(4,603)	(846,914)	2,588,053	(12,452)	2,575,601

Year ended 31 December 2021	Attributable to owners of the parent											
	Share capital RMB'000 (note30)	Share premium RMB'000 (note30)	Share option reserve* RMB'000 (note 31)	Capital reserve* RMB'000 (note30)	Statutory reserve* RMB'000 (note30)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Asset revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	(Accumulated losses)/ retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	330,578	869,201	355,777	(101,206)	86,167	(54,940)	2,319,984	(3,614)	(9,879)	3,792,068	(324)	3,791,744
Loss for the year	-	-	-	-	-	-	-	-	(92,611)	(92,611)	(228)	(92,839)
Other comprehensive income for the year Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(52,954)	-	-	-	(52,954)	-	(52,954)
Gains on properties and land revaluation, net of tax	-	-	-	-	-	-	1,153	-	-	1,153	-	1,153
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,243)	-	(4,243)	-	(4,243)
Total comprehensive income for the year	-	-	-	-	-	(52,954)	1,153	(4,243)	(92,611)	(148,655)	(228)	(148,883)
Depreciation transfer for properties and land	-	-	-	-	-	-	(118,329)	-	118,329	-	-	-
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	92	-	-	(92)	-	-	-
Transfer to the statutory reserve	-	-	-	-	1,624	-	-	-	(1,624)	-	-	-
Equity-settled share option arrangements	-	-	4,178	-	-	-	-	-	-	4,178	-	4,178
Transfer of share option reserve upon the expiry of share option	-	-	(261,956)	-	-	-	-	-	261,956	-	-	-
At 31 December 2021	330,578	869,201	97,999	(101,206)	87,791	(107,802)	2,202,808	(7,857)	276,079	3,647,591	(552)	3,647,039

* These reserve accounts comprised the consolidated other reserves of RMB1,388,274,000 and RMB2,447,812,000 in the consolidated statements of financial position as at 31 December 2022 and 2021, respectively.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,175,466)**	(66,985)
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	8,13,14	**48,226**	47,771
Depreciation of right-of-use assets	8,15	**77,003**	79,901
Amortisation of intangible assets	8,17	**6,406**	5,960
Recognition of government grants	6,8,29	**(3,771)**	(5,828)
Share of profits and losses of associates	18	**(2,738)**	(2,626)
Net foreign exchange (gain)/loss		**(3,745)**	3,318
Dividend income from equity investments designated at fair value through other comprehensive income	6	**(13,168)**	(13,069)
Gain on derecognition of an equity investment at fair value through profit or loss, net	6,8	**(733)**	(12)
Gain on modifications of financial liabilities that do not result in derecognition	6,8	**(35,971)**	(43,093)
Gain on disposal of an investment property	6	**(27,776)**	–
(Gain)/loss on disposal of items of property, plant and equipment	6,8	**(30)**	489
Provision for impairment of inventories	8	**24,610**	–
Amortisation of other current assets	8	**10,334**	–
Impairment of trade receivables, net	21	**308,595**	125,609
Impairment of contract assets, net	23	**247,104**	6,840
Impairment of other receivables, net	22	**1,073**	3,146
Impairment of other current assets, net	8	**30,434**	–
Equity-settled share option expenses	8	**(1,732)**	4,178
Finance costs	7	**91,242**	76,875
Interest income	6	**(10,617)**	(14,763)
		(430,720)	207,711
Decrease/(increase) in inventories		**67,394**	(132,484)
Increase in trade and bills receivables		**(61,907)**	(42,339)
(Increase)/decrease in prepayments, other receivables and other assets		**(176,068)**	18,206
Decrease in long-term prepayments		**–**	159
Increase in other current assets		**(4,330)**	–
Decrease/(increase) in contract assets		**150,471**	(1,086,233)
Increase in amounts due from fellow subsidiaries		**(51,466)**	(22,818)
Increase/(decrease) in amounts due to fellow subsidiaries		**69**	(5,832)
Increase in long-term payables		**1,168**	1,000
Increase in government grants	29	**3,641**	5,697
(Decrease)/increase in trade and bills payables		**(492,513)**	1,240,784
Increase/(decrease) in other payables and accruals		**378,725**	(24,316)
Decrease in pledged bank balances and time deposits, and frozen balances		**76,925**	170,081
Cash (used in)/generated from operations		**(538,611)**	329,616
Interest received		**10,617**	14,763
Interest paid		**(61,708)**	(62,746)
Tax paid		**(5,210)**	(25,156)
Net cash flows (used in)/from operating activities		**(594,912)**	256,477

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from an equity investment designated at fair value through other comprehensive income	6	**13,168**	13,069
Purchases of items of property, plant and equipment	13	**(3,726)**	(29,910)
Purchase of intangible assets	17	**(10,203)**	(4,866)
Proceeds from disposal of an investment property		**37,360**	–
Proceeds from disposal of property, plant and equipment		**80**	–
Proceeds from disposal of financial asset at fair value through profit or loss — mandatorily classified as held for trading		**432,733**	64,817
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**16,294**	1,097
Purchases of equity investments designated at fair value through other comprehensive income		**–**	(31,000)
Purchases of financial assets at fair value through profit or loss — mandatorily classified as held for trading		**(432,000)**	–
Investments in associates		**(13,935)**	(17,600)
Net cash flows from/(used in) investing activities		**39,771**	(4,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**536,188**	628,473
Repayment of bank loans		**(521,594)**	(394,762)
Principal portion of lease payments	38(b)	**(17,361)**	(16,418)
Net cash flows (used in)/from financing activities		**(2,767)**	217,293
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(557,908)**	469,377
Cash and cash equivalents at beginning of year		**891,068**	425,766
Effect of foreign exchange rate changes, net		**14,812**	(4,075)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**347,972**	891,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**383,592**	931,268
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	24	**383,592**	931,268
Frozen and unpledged cash balances		**(35,620)**	(40,200)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**347,972**	891,068

Notes to Financial Statements

Year ended 31 December 2022

1. CORPORATE INFORMATION

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Wison Engineering Investment Limited ("Wison Investment") is the immediate holding company of the Company. In the opinion of the directors, Wison Group Holding Limited ("Wison Holding") is the ultimate holding company of the Company. Wison Holding and Wison Investment are exempted companies with limited liability incorporated in the British Virgin Islands.

The Group is principally engaged in the provision of project solutions to petrochemical and coal-to-chemicals producers in terms of design, construction and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the People's Republic of China ("PRC") and overseas.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wison Engineering Technology Limited ("Wison Technology")	British Virgin Islands("BVI")	United States dollar ("US$") 1	100	–	Investment holding
Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)")	Hong Kong	Hong Kong dollar ("HK$") 401,713,600	–	100	Investment holding/import and export sale of equipment and parts/provision of engineering, procurement and construction management services
惠生工程(中國)有限公司* (Wison Engineering Limited, "Wison Engineering")	PRC/Mainland China	Renminbi ("RMB") 510,000,000	–	100	Provision of engineering, procurement and construction management services
Wison USA, LLC	United States	Nil	–	100	Provision of engineering, procurement and construction management services
江苏惠生建设科技有限公司** (Jiangsu Wison Construction Technology Company Limited, "Jiangsu Wison")	PRC/Mainland China	RMB120,800,000	–	100	Provision of procurement and construction management services

* Wison Engineering is registered as a Sino-foreign co-operative enterprise under PRC law.
** Jiangsu Wison is registered as a domestic enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

The Group incurred a net loss attributable to owners of the Company of RMB1,185,486,000 during the year ended 31 December 2022. As a result of net loss recorded by the Group, the Group is in breach of financial covenant with a certain bank (the "Bank") which was entitled to demand for immediate repayment of the principal amount of RMB678,000,000, of which an amount of RMB619,500,000 has been granted with an original repayment term after 31 December 2023, as stipulated in the clauses of the loan agreement.

As a result of the default, other banks have the right to demand immediate repayment for loans at 31 December 2022 with an aggregate outstanding principal amount of RMB310,000,000 with original maturity in 2023. Accordingly, the non-current portion of the borrowings of RMB619,500,000 from the Bank was classified as bank borrowings in current liabilities as at 31 December 2022.

In order to improve the Group's operating and financial position, the directors of the Company have taken the following measures:

1. Subsequent to 31 December 2022, the Group has succeeded to enter into a supplementary credit facility agreement with the Bank to withdraw the foregoing financial covenant. Accordingly, the Group has rectified the covenant breached and the repayment period of the relevant bank loan amounts will be pertained as original term which is subsequent to 31 December 2023.

2. Subsequent to 31 December 2022, the Group has been granted new bank loans of RMB40,047,000.

3. As at 31 December 2022, the Group had unused credit facilities of RMB200,000,000 granted by a fellow subsidiary of the Group which is valid until 2024.

4. Up to the date of this report, the Group had credit facilities of RMB976,948,000 of which RMB30,000,000 is valid until 2024.

5. The Group continues to take actions to tighten cost controls over various operating expenses and is actively seeking new investments and business opportunities aiming to attain profitable and positive cash flow operations.

The directors of the Company 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, taking into account the above-mentioned plans and measures, 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.

Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

Notes to Financial Statements

Year ended 31 December 2022

2.2 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 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

2.2 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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.

2.3 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 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination during the year, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Financial Statements

Year ended 31 December 2022

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Notes to Financial Statements

Year ended 31 December 2022

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

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision.

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate is included as part of the Group's investments in the associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint operations *(continued)*

The Group recognises in relation to its interest in a joint operation

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

Notes to Financial Statements

Year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its investment property and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Financial Statements

Year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and an investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements

Year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets classified held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives or annual rates used for this purpose are as follows:

Buildings	30 to 50 years
Plant and machinery	20%
Motor vehicles	25%
Office equipment	20%-33.33%
Leasehold improvements	Over the shorter of the lease terms and remaining useful life

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets (other than goodwill)

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

Software and licence

Software and licence are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 5 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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

Notes to Financial Statements

Year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at fair value or cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	Over the lease terms
Leasehold land	45 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments*: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss is carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investment classified as financial asset at fair value through profit or loss is also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

The Group considers a financial asset in default when contractual payments are 120 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables, an amount due to an associate, amounts due to fellow subsidiaries, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use, and frozen balance which is restricted as to use.

Provisions

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(b) Provision of design, feasibility research, consulting and technical services

The service revenue from the provision of design, feasibility research, consulting and technical services is recognised over time, using the approach of input method to measure progress towards complete satisfaction of the services, because the Group has an enforceable right to payment for performance completed to date. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs to complete the services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

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

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

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

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Notes to Financial Statements

Year ended 31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas branches, subsidiaries and joint operation are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Notes to Financial Statements

Year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment property and owner-occupied property

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

Estimation uncertainly

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

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group has developed a statistical model for estimating expected successful claims. The model used the historical claims data including the historical experiences with the same customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims quarterly. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the asset and the cash-generating unit to which the asset is allocated. Management considers that the goodwill should be allocated to the Group's operating segment (cash-generating unit). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB15,752,000. Further details are given in note 16.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., the average default rate of the corporate credit debts) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction service sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 23 to the financial statements, respectively.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Impairment of non-financial assets (other than goodwill)

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

Percentage of completion of construction works

The Group recognises revenue according to the input method, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB80,197,000 (2021: RMB87,964,000). Further details are included in note 19 to the financial statements.

Fair value of buildings and leasehold land

As described in notes 13 and 15 to the financial statements, the buildings and leasehold land located in Mainland China were revalued at the end of the reporting period by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details, including the valuation technique and key assumptions used for fair value measurement, are set out in note 13 to the financial statements.

PRC corporate income tax

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

5. 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, amounts due from fellow subsidiaries, prepayments and other receivables, equity investments designated at fair value through other comprehensive income, 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.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Segment revenue (note 6)			
Sales to external customers	4,463,620	195,160	4,658,780
Intersegment sales	27,645	11	27,656
Total revenue	4,491,265	195,171	4,686,436
Reconciliation:			
Elimination of intersegment sales			(27,656)
Revenue			4,658,780
Segment results	(834,754)	22,226	(812,528)
Reconciliation:			
Unallocated income			207,888
Unallocated expenses			(512,473)
Unallocated finance costs (other than interest on lease liabilities)			(61,091)
Share of profits and losses of associates			2,738
Loss before tax			(1,175,466)
Segment assets	3,547,672	111,803	3,659,475
Reconciliation:			
Elimination of intersegment receivables			(39,153)
Corporate and other unallocated assets			5,323,223
Total assets			8,943,545
Segment liabilities	4,024,291	72,030	4,096,321
Reconciliation:			
Elimination of intersegment payables			(38,839)
Corporate and other unallocated liabilities			2,310,462
Total liabilities			6,367,944
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	(585,179)	(25,564)	(610,743)

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Year ended 31 December 2022

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021	EPC RMB'000	Engineering consulting and technical services, RMB'000	Total RMB'000
Segment revenue (note 6)			
Sales to external customers	6,035,818	243,731	6,279,549
Intersegment sales	61,960	1,341	63,301
Total revenue	6,097,778	245,072	6,342,850
Reconciliation:			
Elimination of intersegment sales			(63,301)
Revenue			6,279,549
Segment results	293,572	61,766	355,338
Reconciliation:			
Unallocated income			155,670
Unallocated expenses			(519,265)
Unallocated finance costs (other than interest on lease liabilities)			(61,354)
Share of profits and losses of associates			2,626
Loss before tax			(66,985)
Segment assets	4,193,994	104,970	4,298,964
Reconciliation:			
Elimination of intersegment receivables			(38,825)
Corporate and other unallocated assets			5,838,282
Total assets			10,098,421
Segment liabilities	4,320,796	38,263	4,359,059
Reconciliation			
Elimination of intersegment payables			(33,140)
Corporate and other unallocated liabilities			2,125,463
Total liabilities			6,451,382
Other segment information			
Impairment losses recognised in the statement of profit or loss	(105,293)	(27,156)	(132,449)

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	**4,042,462**	5,283,950
Middle East	**381,498**	874,831
America	**120,518**	63,783
Other regions	**114,302**	56,985
	4,658,780	6,279,549

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

(b) 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:

	2022	2021
Customer A (EPC segment)	**19.2%**	39.2%
Customer B (EPC segment)	**14.7%**	NA
Customer C (EPC segment)	**14.0%**	NA
Customer D (EPC segment)	**11.1%**	NA
Customer E (EPC segment)	**NA**	12.8%
Customer F (EPC segment)	**NA**	10.1%

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Year ended 31 December 2022

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**4,658,780**	6,279,549

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Types of services			
Construction services	**4,463,620**	**–**	**4,463,620**
Design, feasibility research, consulting and technical services	**–**	**195,160**	**195,160**
Total revenue from contracts with customers	**4,463,620**	**195,160**	**4,658,780**
Geographical markets			
Mainland China	**3,909,938**	**132,524**	**4,042,462**
Middle East	**381,498**	**–**	**381,498**
America	**120,518**	**–**	**120,518**
Others	**51,666**	**62,636**	**114,302**
Total revenue from contracts with customers	**4,463,620**	**195,160**	**4,658,780**
Timing of revenue recognition			
Services transferred over time	**4,463,620**	**195,160**	**4,658,780**

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

For the year ended 31 December 2021

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
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	6,035,818	243,731	6,279,549
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	6,035,818	243,731	6,279,549
Timing of revenue recognition			
Services transferred over time	6,035,818	243,731	6,279,549

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Year ended 31 December 2022

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

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 2022

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**4,463,620**	**195,160**	**4,658,780**
Intersegment sales	**27,645**	**11**	**27,656**
	4,491,265	**195,171**	**4,686,436**
Intersegment adjustments and eliminations	**(27,645)**	**(11)**	**(27,656)**
Total revenue from contracts with customers	**4,463,620**	**195,160**	**4,658,780**

For the year ended 31 December 2021

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

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**312,490**	421,206
Design, feasibility research, consulting and technical services	**13,604**	35,263
	326,094	456,469

(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.

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Year ended 31 December 2022

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations *(continued)*

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 **RMB'000**	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**4,053,682**	4,267,841
After one year	**22,670,321**	21,261,460
	26,724,003	25,529,301

	2022 **RMB'000**	2021 RMB'000
Other income		
Government grants*	**3,771**	5,828
Bank interest income	**10,617**	14,763
Dividend income from an equity investment at fair value through other comprehensive income	**13,168**	13,069
Rental income	**135,964**	119,194
Insurance indemnities	**–**	245
Others	**4,762**	2,559
	168,282	155,658
Gains		
Gain on modifications of financial liabilities that do not result in derecognition	**35,971**	43,093
Gain on disposal of an investment property	**27,776**	–
Gain on disposal of items of property, plant and equipment	**30**	–
Gain on foreign exchange differences, net	**11,067**	–
Gain on disposal of a financial assets at fair value through profit or loss — mandatorily classified as such, including that held for trading	**733**	12
	75,577	43,105
	243,859	198,763

* 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 **RMB'000**	2021 RMB'000
Interest on bank loans and other loans	**61,033**	61,354
Interest on lease liabilities	**695**	1,418
Interest on discounted bills and letters of credit	**58**	–
Other finance costs:		
Increase in discounted amounts of financial liabilities arising from the passage of time	**29,456**	***14,103***
	91,242	76,875

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Year ended 31 December 2022

8. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided*		**4,867,080**	5,820,752
Depreciation of property, plant and equipment and investment property	*13,14*	**48,226**	47,771
Depreciation of right-of-use assets	*15(a)*	**77,003**	79,901
Research and development costs		**148,970**	168,910
Amortisation of intangible assets	*17*	**6,406**	5,960
Amortisation of other current assets**		**10,334**	–
Government grants	*29*	**(3,771)**	(5,828)
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	*21*	**308,595**	125,609
Impairment of contract assets, net	*23*	**247,104**	6,840
Impairment of other receivables, net	*22*	**1,073**	3,146
Write-down of inventories to net realisable value		**24,610**	–
Impairment of other current assets, net**		**30,434**	–
Lease payments not included in the measurement of lease liabilities	*15(c)*	**9,178**	15,559
Gain on derecognition of a financial asset at fair value through profit or loss — mandatorily classified as such, including that held for trading		**(733)**	(12)
Gain on modifications of financial liabilities that do not result in derecognition	*6*	**(35,971)**	(43,093)
Other finance costs:			
Increase in discounted amounts of financial liabilities arising from the passage of time	*7*	**29,456**	14,103
Auditor's remuneration		**6,172**	5,938
Employee benefit expense (including directors' and chief executive's remuneration) (note 9):			
Wages and salaries (including social welfare)		**593,572**	603,813
Retirement benefit scheme contributions		**53,846**	53,545
Equity-settled share option expenses	*31*	**(1,732)**	4,178
		645,686	661,536
Foreign exchange differences, net		**(11,067)**	757

* Amounts of RMB399,731,000 and RMB399,474,000 of employee benefit expenses were included in cost of services provided during the years ended 31 December 2022 and 2021, respectively.

** Other current assets are certain costs to fulfill a contract and amortised on the straight-line basis during the project cycle. Amortisation expenses and impairment losses amounted to RMB10,334,000 and RMB30,434,000, respectively, were recognised in profit or loss for the year ended 31 December 2022.

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**1,402**	1,538
Other emoluments:		
Salaries and allowances	**6,330**	6,373
Performance related bonuses	**660**	1,530
Equity-settled share option expenses and equity-settled share-based payment expenses	**(1,732)**	1,795
Pension scheme contributions (including social welfare)	**252**	232
	6,912	11,468

During the year and in the prior year, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company. Further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors and chief executive's remuneration disclosures.

During the year ended 31 December 2017, three directors were granted share awards of the Company by the controlling shareholder of the Company for their services rendered to the Group. The share awards have been vested immediately upon the acceptance of the share awards and the relevant number of shares have been transferred to the grantees of the share awards at a consideration of HK$1.00 each. The fair value of share awards, which has been recognised in the statement of profit or loss immediately upon the vesting, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2021 was included in the above directors' and chief executive's remuneration disclosures. The share options granted to three directors were expired since 13 November 2022.

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Year ended 31 December 2022

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

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

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Zhou Hongliang (i)	300	1,223	293	–	63	1,879
Mr. Zheng Shifeng	–	1,464	281	–	63	1,808
Mr. Yan Shaochun (ii)	300	2,415	–	(1,732)	63	1,046
Mr. Dong Hua (iii)	175	1,228	86	–	63	1,552
	775	6,330	660	(1,732)	252	6,285
Independent non-executive directors						
Mr. Lawrence Lee	209	–	–	–	–	209
Mr. Tang Shisheng	209	–	–	–	–	209
Mr. Feng Guohua	209	–	–	–	–	209
	627	–	–	–	–	627
	1,402	6,330	660	(1,732)	252	6,912

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

(a) Executive directors, non-executive director, independent non-executive directors and chief executive *(continued)*

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2021						
Executive directors						
Mr. Yan Shaochun (ii)	260	2,169	500	1,732	52	4,713
Mr. Zhou Hongliang (i)	300	1,215	370	–	57	1,942
Mr. Dong Hua (iii)	300	1,215	260	–	57	1,832
Mr. Zheng Shifeng	–	1,516	400	–	57	1,973
Ms. Rong Wei (iv)	51	258	–	–	9	318
	911	6,373	1,530	1,732	232	10,778
Independent non-executive directors						
Mr. Lawrence Lee	209	–	–	21	–	230
Mr. Tang Shisheng	209	–	–	21	–	230
Mr. Feng Guohua	209	–	–	21	–	230
	627	–	–	63	–	690
	1,538	6,373	1,530	1,795	232	11,468

(i) Mr. Zhou Hongliang was appointed as an executive director of the Company and the chief executive officer of the Group with effect from 31 December 2022.

(ii) Mr. Yan Shaochun resigned from the position of executive director of the Company and the chief executive officer of the Group with effect from 31 December 2022.

(iii) Mr. Dong Hua resigned from the position of executive director of the Company with effect from 2 August 2022.

(iv) Ms. Rong Wei resigned from the position of executive director of the Company and the chief executive officer of the Group with effect from 5 February 2021.

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

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Year ended 31 December 2022

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

(b) Five highest paid employees

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

	2022	2021
Directors	**3**	4
Non-director and non-chief executive employees	**2**	1
	5	5

Details of the remuneration of the directors are set out in (a) above.

Details of the remuneration of the non-director and non-chief executive highest paid employees for the year ended 31 December 2022 and 2021 are as follows:

	2022 **RMB'000**	2021 RMB'000
Fees	**–**	290
Salaries and allowances	**2,618**	1,871
Performance related bonuses	**731**	216
Pension scheme contributions (including social welfare)	**103**	–
	3,452	2,377

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

	2022	2021
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	2	1

10. INCOME TAX

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

	2022 RMB'000	2021 RMB'000
Current — Mainland China		
Charge for the year	–	5,817
Overprovision in prior years	(70)	–
Current — Elsewhere		
Charge for the year	535	5,231
Underprovision in prior years	2,828	–
Deferred (note 28)	18,627	14,806
Total tax charge for the year	21,920	25,854

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, South Africa, Japan, Russia, Mexico, Thailand, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, South Africa, Japan, Russia, Mexico, Thailand, United Arab Emirates and Singapore during the years ended 31 December 2022 and 2021.

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.

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Year ended 31 December 2022

10. INCOME TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, there was no significant unrecognised deferred tax liability (31 December 2021: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

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:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(1,175,466)**	(66,985)
Tax at the statutory tax rates	**(283,794)**	(18,562)
Lower tax rate enacted by local authority	**89,678**	(33,020)
Tax losses not recognised	**92,925**	39,731
Unrecognised deductible temporary differences	**137,919**	51,503
Adjustments in respect of current tax of previous periods	**2,758**	1,961
Additional tax deduction	**(17,313)**	(19,002)
Expenses not deductible for tax	**(428)**	3,243
Effect of withholding tax at 5% on the overseas profits of the Group's PRC subsidiary	**175**	–
Tax charge at the Group's effective rate	**21,920**	25,854

The share of tax attributable to associates amounting to RMB1,362,000 (2021: RMB883,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No final dividends were paid, declared or proposed for the years ended 31 December 2022 and 2021.

12. 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 (2021: 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 2022 and 2021 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:

	2022	2021
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(1,185,486)**	(92,611)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**4,073,767,800**	4,073,767,800

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Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2022						
Cost or valuation:						
At 31 December 2021 and 1 January 2022	1,399,744	7,381	18,254	30,852	109,664	1,565,895
Additions	–	–	1,046	359	1,065	2,470
Surplus on revaluation	41,333	–	–	–	–	41,333
Disposals	–	–	(373)	–	(4,898)	(5,271)
Exchange realignment	–	89	359	3,692	61	4,201
Transfer	–	–	–	(1,461)	(35,428)	(36,889)
At 31 December 2022	1,441,077	7,470	19,286	33,442	70,464	1,571,739
Depreciation:						
At 31 December 2021 and 1 January 2022	–	(5,560)	(13,412)	(27,809)	(70,604)	(117,385)
Provided for the year	(40,527)	(930)	(2,063)	(2,525)	(1,965)	(48,010)
Disposals	–	–	373	–	4,848	5,221
Reversal upon revaluation	40,527	–	–	–	–	40,527
Exchange realignment	–	11	(144)	(253)	(28)	(414)
Other transfer	–	–	–	443	8	451
At 31 December 2022	–	(6,479)	(15,246)	(30,144)	(67,741)	(119,610)
Net book value:						
At 31 December 2022	1,441,077	991	4,040	3,298	2,723	1,452,129

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2021						
Cost or valuation:						
At 31 December 2020 and 1 January 2021	1,339,350	7,393	16,869	31,950	74,356	1,469,918
Additions	–	–	1,555	394	37,262	39,211
Surplus on revaluation	60,394	–	–	–	–	60,394
Disposals	–	(12)	(170)	(1,492)	(1,954)	(3,628)
At 31 December 2021	1,399,744	7,381	18,254	30,852	109,664	1,565,895
Accumulated depreciation						
At 31 December 2020 and 1 January 2021	–	(4,696)	(12,320)	(25,653)	(68,425)	(111,094)
Provided for the year	(37,692)	(876)	(1,262)	(3,252)	(4,040)	(47,122)
Disposals	–	12	170	1,096	1,861	3,139
Reversal upon revaluation	37,692	–	–	–	–	37,692
At 31 December 2021	–	(5,560)	(13,412)	(27,809)	(70,604)	(117,385)
Net book value:						
At 31 December 2021	1,399,744	1,821	4,842	3,043	39,060	1,448,510

At 31 December 2022, the Group's buildings were situated in Mainland China and are held under medium-term leases with a book value of RMB1,441,077,000 (31 December 2021: RMB1,399,744,000).

Except for the buildings situated in Mainland China which are stated at valuation, all property, plant and equipment are stated at cost less accumulated depreciation.

As at 31 December 2022, the Group's buildings and leasehold land situated in Mainland China were revalued based on valuations performed by Shanghai Orient Appraisal Co., Ltd., an independent firm of professionally qualified valuers, at RMB3,521,714,000, based on their existing use. The land portion of RMB2,080,637,000 was measured as right-of-use assets (note 15). In the opinion of the directors, the current use of the leasehold building in Mainland China is its highest and best use.

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13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

A revaluation surplus of RMB78,480,000 (2021: RMB1,153,000), net of tax, resulting from the above valuations, has been credited (2021: credited) to other comprehensive income.

Had the Group's buildings and leasehold land situated in Mainland China been carried at cost less accumulated depreciation, the carrying amounts would have been approximately RMB754,813,000 and RMB136,922,000, respectively (31 December 2021: RMB777,570,000 and RMB140,958,000, respectively).

As at 31 December 2022, certain of the Group's building and leasehold land with a net book value of approximately RMB3,494,142,000 (31 December 2021: RMB3,502,897,000) were pledged to secure general banking facilities granted to the Group (note 27).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings and leasehold land situated in Mainland China:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant Observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Buildings	–	–	**1,441,077**	**1,441,077**
Leasehold land	–	–	**2,080,637**	**2,080,637**
	–	–	**3,521,714**	**3,521,714**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant Observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Buildings	–	–	1,399,744	1,399,744
Leasehold land	–	–	2,131,204	2,131,204
	–	–	3,530,948	3,530,948

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	Buildings RMB'000	Leasehold land RMB'000
At 1 January 2021	1,339,350	2,291,741
Depreciation charge	(37,692)	(63,807)
Surplus/(deficit) on revaluation recognised in other comprehensive income in the consolidated statement of comprehensive income	98,086	(96,730)
At 31 December 2021 and 1 January 2022	**1,399,744**	**2,131,204**
Depreciation charge	**(40,527)**	**(61,037)**
Surplus on revaluation recognised in comprehensive income in the consolidated statement of comprehensive income	**81,860**	**10,470**
At 31 December 2022	**1,441,077**	**2,080,637**

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of buildings and leasehold land:

	Valuation technique	Significant unobservable inputs	Weighted average 2022	2021
Building and leasehold land (note a)	Income method	Average market daily rent (RMB/square meter)	**5.91**	5.86
		Long term vacancy rate	**4%**	4%
		Yield rate	**4%**	4%
Building (note b)	Direct comparison method	Market transaction price (RMB/square metre)	**11,500**	11,700
		Adjustment on quality of the building	**5%**	5%

Notes:

(a) The valuation of the building and the leasehold land was determined using the income method. The most significant inputs to this valuation approach are the market daily rental of comparable properties nearby, long term vacancy rate of the building and yield rate of the rentals.

The fair value measurement is positively correlated to the market daily rental and yield rate, and negatively correlated to the long term vacancy rate.

(b) The valuation of the building was determined using the direct comparison approach. The most significant inputs to this valuation approach are the market transaction prices of comparable properties nearby and the adjustment on quality of the building.

The fair value measurement is positively correlated to the market transaction price and negatively correlated to the adjustment on quality of the building.

14. INVESTMENT PROPERTY

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**9,800**	10,449
Depreciation	**(216)**	(649)
Disposal	**(9,584)**	–
Carrying amount at 31 December	**–**	9,800

Investment property is an interest in a building held to earn rental income rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to depreciate the cost of the investment property over the estimated useful life of 30 years.

The fair value of the Group's investment property was RMB36,500,000 as at 31 December 2021, based on valuations performed by Jiangsu Suxin Real Estate Evaluation Consulting Co., Ltd., an independent firm of professionally qualified valuer, on an open market existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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Year ended 31 December 2022

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 45 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 5 years, while motor vehicles and other equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2021	34,597	2,291,741	2,326,338
Additions	1,107	–	1,107
Deficit on revaluation	–	(160,537)	(160,537)
Depreciation charge	(16,094)	(63,807)	(79,901)
Reversal of depreciation upon revaluation	–	63,807	63,807
As at 31 December 2021 and 1 January 2022	**19,610**	**2,131,204**	**2,150,814**
Additions	**29,355**	**–**	**29,355**
Deficit on revaluation	**–**	**(50,567)**	**(50,567)**
Depreciation charge	**(15,966)**	**(61,037)**	**(77,003)**
Reversal of depreciation upon revaluation	**–**	**61,037**	**61,037**
As at 31 December 2022	**32,999**	**2,080,637**	**2,113,636**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**19,930**	35,241
New leases	**29,355**	1,107
Accretion of interest recognised during the year	**695**	1,418
Payments	**(18,056)**	(17,836)
Carrying amount at 31 December	**31,924**	19,930
Analysed into:		
Current portion	**8,413**	16,602
Non-current portion	**23,511**	3,328

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**695**	1,418
Depreciation charge of right-of-use assets	**77,003**	79,901
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	**8,089**	14,990
Expense relating to leases of low-value assets (included in administrative expenses)	**1,089**	569
Total amount recognised in profit or loss	**86,876**	96,878

Notes to Financial Statements

Year ended 31 December 2022

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. It is the Group's judgements that it is not necessary to exercise extension and termination options as those leases are neither construction of significant leasehold improvements nor significant customisation to the leased asset.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 38(c) and 35, respectively, to the financial statements.

The Group as a lessor

The Group leases its office properties in China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB135,964,000 (2021: RMB119,194,000), details of which are included in note 6 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating lease with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**43,868**	58,106
In the second to fifth years, inclusive	**14,740**	27,247
	58,608	85,353

16. GOODWILL

	2022 RMB'000	2021 RMB'000
Carrying amount at the beginning of the year and at the end of the year	**15,752**	15,752

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

Goodwill is mainly attributable to the synergies expected to be achieved from integrating Henan Chemical Industry Design Institute into the Group's EPC business.

The recoverable amount of the goodwill is determined from a value-in-use calculation using a cash flow forecast based on financial budgets. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, budgeted gross margin and expected changes to revenue and direct costs during the year. The directors have estimated the discount rate of 15% (2021:15%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The directors have estimated the discount rate of 15% (2021:15%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2021: 3%) which is based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. Management determine the budgeted gross margin based on the gross margin achieved previously and management's expectation on the future trend of the market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for 2022 and extrapolates cash flows for the following five years based on an estimated average industry growth rate.

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17. INTANGIBLE ASSETS

	Software RMB'000	Licence RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**9,290**	**15,745**	**25,035**
Additions	**3,751**	**–**	**3,751**
Amortisation provided during the year	**(3,920)**	**(2,486)**	**(6,406)**
At 31 December 2022	**9,121**	**13,259**	**22,380**
At 31 December 2022			
Cost	**72,127**	**24,860**	**96,987**
Accumulated amortisation	**(63,006)**	**(11,601)**	**(74,607)**
Net carrying amount	**9,121**	**13,259**	**22,380**
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	8,499	18,231	26,730
Additions	4,265	–	4,265
Amortisation provided during the year	(3,474)	(2,486)	(5,960)
At 31 December 2021	9,290	15,745	25,035
At 31 December 2021			
Cost	68,376	24,860	93,236
Accumulated amortisation	(59,086)	(9,115)	(68,201)
Net carrying amount	9,290	15,745	25,035

18. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**258,972**	213,022

Particulars of the Group's associates are as follows:

Name	Registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd. ("Henan Chuangsite"))	RMB3,000,000	PRC/ Mainland China	30%	Supervisory services for construction projects
泰興博惠環保科技發展有限公司 (Taixing Bohui Environmental Technology Development Co., Ltd ("Taixing Bohui"))	RMB252,143,200	PRC/ Mainland China	25%	Research and development service for environmental technology
南京銀鞍嶺秀新材料產業基金合夥企業(有限合夥) (Nanjing Yinan Lingxiu New Material Industry Fund (Limited Partnership) ("Yin'an Lingxiu"))	RMB858,000,000	PRC/ Mainland China	18.65%	Investment in new material industry

The Group's equity holding in the associates was held through the wholly-owned subsidiaries of the Company.

Henan Chuangsite, Taixing Bohui and Yin'an Lingxiu are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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18. INVESTMENTS IN ASSOCIATES *(continued)*

Yin'an Lingxiu, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the investment of new material industry and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yin'an Lingxiu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 **RMB'000**	2021 RMB'000
Current assets	**511,716**	568,480
None-current assets	**490,996**	184,000
Net assets	**1,002,712**	752,480
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**18.65%**	21.11%
Carrying amount of the investment	**187,006**	158,849
Loss for the year	**(6,748)**	(2,719)
Other comprehensive income	**156,980**	–
Total comprehensive income for the year	**150,232**	(2,719)

The following table illustrates the financial information of the Group's associates that are not individually material:

	2022 **RMB'000**	2021 RMB'000
Share of the associates' profit for the year	**3,861**	3,200
Share of the associates' total comprehensive income	**3,861**	3,200
Aggregate carrying amount of the Group's investments in the associates	**71,966**	54,173

The Group's other payable balance with an associate is disclosed in note 32.

The Group's trade receivable balance and contract asset balance with an associate are disclosed in notes 21 and 23.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
(CSSC (Hong Kong) Shipping Company Limited)	**165,678**	154,733
Unlisted equity investments, at fair value		
山西潞安化工有限公司		
(Shanxi Lu'an Chemical Co., Ltd.)	**47,394**	31,797
安徽寶龍環保科技有限公司		
(Anhui Baolong Environmental Technology Co., Ltd.)	**11,036**	31,000
興化粵海水務有限公司		
(Xinghua Yuehai Water Affairs Co., Ltd.)	**18,191**	21,889
上海銀鞍股權投資管理有限公司		
(Shanghai Yin'an Equity Investment Management Co., Ltd.)	**3,576**	3,278
	245,875	242,697
Less: classified as current assets	**213,072**	–
Non-current asset	**32,803**	242,697

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature except those investments are no longer coincided with the Group's investment strategy which have been classified as current assets.

In July and August 2022, the Group disposed of its partial equity interests in CSSC (Hong Kong) Shipping Company Limited and the remaining amount of this investment are no longer coincided with the Group's investment strategy and was classified as current as at 31 December 2022. The total fair value of the sale was RMB16,294,000 and the accumulated deficits of RMB49,000 recognised in other comprehensive income was transferred to accumulated losses. During the year ended 31 December 2022, the Group received dividends in the amounts of RMB13,168,000 (2021: RMB13,069,000) from CSSC (Hong Kong) Shipping Company Limited.

In June 2022, the Group disposed of its equity interest in 上海亞商財富投資管理有限公司 (Shanghai Asia Business Wealth Investment Management Co., Ltd.). The total fair value of the sale was nil and the accumulated of deficit RMB60,000,000 recognised in other comprehensive income was transferred to accumulated losses.

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20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Construction materials, net	**126,347**	218,351

21. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**1,203,684**	1,049,887
Impairment	**(674,003)**	(365,408)
	529,681	684,479

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:

	2022 RMB'000	2021 RMB'000
Within 1 month	**37,149**	25,013
2 to 12 months	**153,182**	173,479
Over 1 year	**339,350**	485,987
	529,681	684,479

21. TRADE RECEIVABLES *(continued)*

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**365,408**	239,799
Impairment losses, net (note 8)	**308,595**	125,609
At end of year	**674,003**	365,408

The increase (2021: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(a) Decrease in the loss allowance of RMB15,493,000 (2021: RMB11,367,000) as a result of a net decrease (2021: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables;

(b) Increase in the loss allowance of RMB324,088,000 (2021: RMB136,976,000) as a result of an increase in trade receivables which were past due.

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.

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Year ended 31 December 2022

21. TRADE RECEIVABLES *(continued)*

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 2022

	Ageing				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**5.37%**	**16.20%**	**53.52%**	**100.00%**	**56.00%**
Gross carrying amount (RMB'000)	**201,124**	**204,542**	**361,283**	**436,735**	**1,203,684**
Expected credit losses (RMB'000)	**10,793**	**33,130**	**193,345**	**436,735**	**674,003**

As at 31 December 2021

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

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

	2022 RMB'000	2021 RMB'000
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd. (as defined in note 32)	**347,271**	70,321
Taixing Bohui (as defined in note 18)	**120,567**	104,791
Taixing Tianma Chemical Engineering Co., Ltd. (as defined in note 32)	**76,832**	76,697
Wison Offshore Marine Shanghai (as defined in note 32)	**7,815**	–
Wison (China) Investment	**50**	–
	552,535	251,809

22. PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	**583,367**	486,917
Deposits and other receivables	**159,401**	78,059
	742,768	564,976
Impairment allowance	**(5,184)**	(4,111)
	737,584	560,865

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for deposits and other receivables where there were no comparable companies as at 31 December 2022 was 3.25% (2021: 5.3%).

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**4,111**	965
Impairment loss, net (note 8)	**1,073**	3,146
At end of year	**5,184**	4,111

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Year ended 31 December 2022

23. CONTRACT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Contract assets arising from:			
Construction services	**2,689,757**	2,840,325	1,754,068
Design, feasibility research, consulting and technical services	**1,145**	1,048	1,072
	2,690,902	2,841,373	1,755,140
Impairment	**(391,306)**	(144,202)	(137,362)
	2,299,596	2,697,171	1,617,778
Less: Contract assets disclosed in the other non-current assets	**141,817**	–	–
	2,157,779	2,697,171	1,617,778

Contract assets are initially recognised for revenue earned from the provision of construction services and design, feasibility research, consulting and technical services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction services and design, feasibility research, consulting and technical services and progressing to billing milestone, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2022 was the result of the decrease in the ongoing sale of construction services and the provision of design, feasibility research, consulting and technical services at the end of each of the years.

During the year ended 31 December 2022, RMB247,104,000 (2021: RMB6,840,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 21 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**2,157,779**	2,697,171
After one year	**141,817**	–
Total contract assets	**2,299,596**	2,697,171

23. CONTRACT ASSETS *(continued)*

The movements in the loss allowance for impairment of contract assets are as follows:

	2022	2021
	RMB'000	RMB'000
At beginning of year	**144,202**	137,362
Impairment loss, net* (note 8)	**247,104**	6,840
At end of year	**391,306**	144,202

* The net impairment provision made for the contract assets will be reclassified to trade receivables when amounts of contract assets are billed or become billable to customers.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses on the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on ageing of trade receivables 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 contract assets using a provision matrix:

	2022	2021
Expected credit loss rate	**14.54%**	5.08%
Gross carrying amount (RMB'000)	**2,690,902**	2,841,373
Expected credit losses (RMB'000)	**391,306**	144,202

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Year ended 31 December 2022

23. CONTRACT ASSETS *(continued)*

The amounts of contract assets with related companies are as follows:

	2022 RMB'000	2021 RMB'000
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd. (as defined in note 32)	**107,213**	336,600
Taixing Bohui (as defined in note 18)	**62,434**	45,317
	169,647	381,917

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**663,242**	931,268
Time deposits with original maturity of less than three months (including three months)	**791**	403,556
Time deposits with original maturity of more than three months	**306,908**	256,138
	970,941	1,590,962
Less: Pledged bank balances and time deposits	**587,349**	659,694
Unpledged cash and cash equivalents	**383,592**	931,268
Less: Frozen and unpledged bank balances	**35,620**	40,200
Unpledged and unfrozen cash and cash equivalents	**347,972**	891,068

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

At 31 December 2022, bank balances and time deposits of RMB455,568,000 (2021: RMB469,117,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2022, bank balances and time deposits of RMB13,880,000 (2021: RMB3,189,000) were pledged to the banks as security to obtain letters of credit facilities for the purchase of imported equipment.

At 31 December 2022, bank balances and time deposits of RMB110,561,000 (2021: RMB172,520,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2022, bank balances of RMB1,000 (2021: RMB3,000) were pledged to a bank as security for forward foreign exchange contracts.

At 31 December 2022, bank balances of RMB7,339,000 (2021: RMB14,865,000) were pledged to a bank as security to obtain a bank facility.

At 31 December 2022, certain bank accounts of Jiangsu Wison of RMB34,920,000 (2021: RMB40,200,000) (note 34) were frozen by certain courts for preservation.

At 31 December 2022, certain bank accounts of Wison Engineering of RMB700,000 (2021: Nil) (note 34) were frozen by certain courts for preservation.

At 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB602,159,000 (2021: RMB1,327,475,000). 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.

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Year ended 31 December 2022

25. TRADE AND BILLS PAYABLES

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

	2022	2021
	RMB'000	RMB'000
Less than 1 year	**1,262,239**	2,796,589
1 to 2 years	**1,554,769**	272,823
2 to 3 years	**235,999**	94,561
Over 3 years	**90,276**	478,260
	3,143,283	3,642,233
Less: Long term payables	**874,098**	335,387
Current payables	**2,269,185**	3,306,846

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

26. OTHER PAYABLES AND ACCRUALS

		2022	2021
	Notes	**RMB'000**	RMB'000
Contract liabilities	(a)	**932,406**	683,686
Accruals		**133,783**	56,846
Advances from lessees		**4,674**	10,649
Other payables	(b)	**358,610**	292,783
		1,429,473	1,043,964
Less: Contract liabilities classified as the other non-current liabilities		**268,315**	–
Other payables classified as long-term payables		**2,194**	1,026
		1,158,964	1,042,938

26. OTHER PAYABLES AND ACCRUALS *(continued)*

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Construction services	**870,753**	658,373	759,244
Design, feasibility research, consulting and technical services	**61,653**	25,313	49,101
Total contract liabilities	**932,406**	683,686	808,345

Contract liabilities include short-term advances received to render construction services and design, feasibility research, consulting and technical services. The decrease and increase in contract liabilities in 2022 and 2021 was mainly due to the decrease and increase in short-term advances received from customers in relation to the provision of construction services and design, feasibility research, consulting and technical services at the end of the year, respectively.

(b) Other payables are non-interest-bearing and repayable on demand other than the government grant with specified conditions with which Group must comply during the specified period.

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Year ended 31 December 2022

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Current		
Bank loans — secured	**258,603**	336,538
Bank loans — unsecured	**249,929**	100,000
Long-term bank loans classified as current bank loans — secured	**679,100**	736,500
	1,187,632	1,173,038

All borrowings are in RMB. The effective interest rates of the Group's bank and other borrowings are as follows:

Year ended 31 December 2021	2.60% to 5.88%
Year ended 31 December 2022	3.70% to 5.88%

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable: within one year or on demand	**1,187,632**	1,173,038

Certain of the Group's bank loan is secured by the following assets:

	Note	2022 RMB'000	2021 RMB'000
Building and leasehold land	13	**3,494,142**	3,502,897

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

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

As at 31 December 2022, the Group had borrowings with the Bank of RMB678,000,000 (31 December 2021: RMB736,500,000) with an original maturity date on 20 August 2034, which requires the Company to maintain profitable financial performance during a financial year.

The Group was in breach of financial covenants under the loan agreement with the Bank due to the net loss recorded by the Group for the year ended 31 December 2022. The Bank was entitled to demand and accelerated repayment of the principal amount of RMB678,000,000 (31 December 2021: RMB736,500,000) and accrued interest as at 31 December 2021 as stipulated in the clauses of the loan agreement. As at 31 December 2022, the non-current bank loan amounting to RMB619,500,000 (31 December 2021: RMB678,000,000) was reclassified as current interest-bearing bank and other borrowings.

The default of the foregoing bank borrowings has triggered cross default provisions of the bank facilities with other banks of the Group. Accordingly, other banks have the right to demand immediate repayment for loans at 31 December 2022 with an aggregate outstanding principal amount of RMB310,000,000.

Subsequent to 31 December 2022, the Group has succeeded to enter into a supplementary credit facility agreement with the Bank to withdraw the foregoing financial covenant. Accordingly, the Group has rectified the covenant breach and the repayment period of the relevant bank loans will be pertained as original term which is subsequent to 31 December 2023.

As of the date of the supplementary agreement, the Group has yet to receive any waiver nor any demand for the immediate repayment from the banks in respect of the breach of the covenants.

Notes to Financial Statements

Year ended 31 December 2022

28. DEFERRED TAX

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

Deferred tax liabilities

	2022				
	Right-of use assets RMB'000	Revaluation of buildings and land/ related depreciation in excess of depreciation allowance RMB'000	Fair value adjustments investments at fair value through other comprehensive income RMB'000	Withholding taxes arising from distributable profits the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2022	464	391,862	–	720	393,046
Deferred tax					
Credited to the statement of profit or loss during the year (note 10)	(464)	(11,216)	–	–	(11,680)
Charged to the other comprehensive income during the year	–	13,850	2,803	–	16,653
At 31 December 2022	–	394,496	2,803	720	398,019

28. DEFERRED TAX *(continued)*

Deferred tax assets

	2022			
	Lease liabilities RMB'000	**Impairment of financial and contract assets RMB'000**	**Accruals RMB'000**	**Total RMB'000**
At 1 January 2022	**459**	**28,657**	**1,191**	**30,307**
Deferred tax				
Charged to the statement of profit or loss during the year (note 10)	**(459)**	**(28,657)**	**(1,191)**	**(30,307)**
At 31 December 2022	**–**	**–**	**–**	**–**

Deferred tax liabilities

	2021			
	Right-of use assets RMB'000	Revaluation of buildings and land/ related depreciation in excess of depreciation allowance RMB'000	Withholding taxes arising from distributable profits the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	–	402,802	720	403,522
Deferred tax				
Charged/(credited) to the statement of profit or loss during the year (note 10)	464	(11,143)	–	(10,679)
Charged to the other comprehensive income during the year	–	203	–	203
At 31 December 2021	464	391,862	720	393,046

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Year ended 31 December 2022

28. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

	2021			
	Lease liabilities RMB'000	Impairment of financial and contract assets RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2021	–	54,057	1,735	55,792
Deferred tax				
Credited/(charged) to the statement of profit or loss during the year (note 10)	459	(25,400)	(544)	(25,485)
At 31 December 2021	459	28,657	1,191	30,307

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	29,887
Net deferred tax liabilities recognised in the consolidated statement of financial position	**398,019**	392,626

The Group has tax losses arising in Hong Kong of RMB149,508,000 (2021: RMB81,774,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB912,584,000 (2021: RMB676,512,000) that will expire in ten years for offsetting against future taxable profits. The Group also has accumulated tax losses arising in the United States, Russia, Mexico, Singapore, Thailand, Venezuela, South Africa and Saudi Arabia of approximately RMB271,157,000 (2021: RMB62,523,000) which are available for offsetting against future taxable profits in one year to an infinite period.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. DEFERRED TAX *(continued)*

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

	2022 **RMB'000**	2021 RMB'000
Tax losses	**1,333,249**	820,809
Deductible temporary differences	**1,250,039**	343,354
	2,583,288	1,164,163

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2022, there was no significant unrecognised deferred tax liability (2021: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

29. GOVERNMENT GRANTS

	2022 **RMB'000**	2021 RMB'000
Carrying amount at beginning of the year	**4,116**	4,247
Received during the year	**3,641**	5,697
Released to profit or loss (note 6)	**(3,771)**	(5,828)
Carrying amount at end of the year	**3,986**	4,116

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30. SHARE CAPITAL AND RESERVES

1) Shares

	2022	2021
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**4,073,767,800**	4,073,767,800

	2022 RMB'000	2021 RMB'000
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**330,578**	330,578

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

	Number of shares in issue	**Share capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 31 December 2021, 1 January 2022 and 31 December 2022	4,073,767,800	330,578	869,201	1,199,779

2) Share premium account

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

30. SHARE CAPITAL AND RESERVES*(continued)*

3) Statutory reserve

(a) Special reserve account

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from retained earnings an amount to a safety production reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety production reserve fund were utilised and transferred back to retained earnings until such special reserve was fully utilised. An amount of RMB19,530,000 was appropriated in 2022.

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

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

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

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

The amounts of SSR and expansion reserve were RMB51,012,000 and RMB36,779,000 as at 31 December 2022, respectively.

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31. SHARE OPTION SCHEMES

1) Share Option Scheme

On 30 November 2012, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The Share Option Scheme will remain in force for a period to be notified by the Company's board of directors (the "Board"), such period shall not exceed the period of ten years from the adoption date. Pursuant to the Share Option Scheme, the Board may offer any employee, director, consultant or adviser of the Group (the "Eligible Person") options to subscribe for shares. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grants.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed 30% of the issued share capital of the Company from time to time. Subject to the above, the Board may grant options under the Share Option Scheme in respect of such number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Company's shares commenced on the main board of the Stock Exchange (the "Scheme Mandate Limit"). Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by obtaining approval of the shareholders of the Company in shareholders' meetings. Unless approved by the shareholders in a general meeting, the total number of shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period should not exceed 1% of the relevant class of securities of the Company in issue.

On 14 November 2017, options involving 134,200,000 shares were granted to three then independent non-executive directors of the Company and 114 employees of the Group under the Share Option Scheme entitling the grantees to subscribe for a total of 134,200,000 shares at an exercise price of HK$1.744 per share. Subject to the satisfaction of certain performance targets by the relevant grantees of the options for the year immediately preceding each vesting date, 25% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th and 48th months after the date of grant. Vested options shall be exercisable until the expiry of a five-year period from the date of grant, being 13 November 2022.

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

The share options granted under the Share Option Scheme were expired since 13 November 2022.

31. SHARE OPTION SCHEMES *(continued)*

1) Share Option Scheme *(continued)*

The following share options were outstanding under the Share Option Scheme during the year:

	2022 Weighted average exercise price HK$ per share	2022 Number of options '000	2021 Weighted average exercise price HK$ per share	2021 Number of options '000
At 1 January	**1.744**	**107,138**	1.744	122,750
Forfeited during the year	**1.744**	**(107,138)**	1.744	(15,612)
At 31 December	**–**	**–**	1.744	107,138

No shares were exercised during the years ended 31 December 2022 and 2021.

On 1 April 2021, options involving 30,000,000 shares were granted to an executive director of the Company under the Share Option Scheme entitling the grantee to subscribe for a total of 30,000,000 shares at an exercise price of HK$0.459 per share. Subject to the satisfaction of certain performance targets by the relevant grantee of the options for the year immediately preceding each vesting date, 20% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th, 48th and 60th months after the date of grant. Vested options shall be exercisable until the expiry of a six-year period from the date of grant, being 31 March 2027.

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

The following share options were outstanding under the Share Option Scheme during the year:

	2022 Weighted average exercise price HK$ per share	2022 Number of options '000	2021 Weighted average exercise price HK$ per share	2021 Number of options '000
At 1 January	**0.459**	**30,000**	–	–
Granted during the year	**–**	**–**	0.459	30,000
Forfeited during the year	**0.459**	**(30,000)**	–	–
At 31 December	**–**	**–**	0.459	30,000

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Year ended 31 December 2022

31. SHARE OPTION SCHEMES *(continued)*

1) Share Option Scheme *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of 2021 are as follows:

2021

Number of options	Exercise price* HK$ per share	Exercise period of share options
6,000,000	0.459	01 April 2022 to 31 March 2027
6,000,000	0.459	01 April 2023 to 31 March 2027
6,000,000	0.459	01 April 2024 to 31 March 2027
6,000,000	0.459	01 April 2025 to 31 March 2027
6,000,000	0.459	01 April 2026 to 31 March 2027
30,000,000		

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

As the vesting condition of certain performance targets of an executive director were not satisfied for the year ended 31 December 2022, a share option expense of RMB1,732,000 was reversed (2021: charged) and the 6,000,000 shares granted is cancelled by forfeiture for failure to satisfy the vesting condition. Besides that, the outstanding 6,000,000 shares granted is also cancelled by forfeiture for failure to satisfy the vesting condition during the year ended 31 December 2022, as that executive director resigned from the Group with effect from 31 December 2022.

As at 31 December 2022, there was no shares could be issued in respect of the options granted under the Share Option Scheme. No further options can be granted under the Share Option Scheme after the listing date of the Company (the "Listing Date").

31. SHARE OPTION SCHEMES *(continued)*

2) 2022 Share Option Scheme

On 20 December 2022, a share option scheme (the "2022 Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The 2022 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date of the 2022 Share Option Scheme. Pursuant to the 2022 Share Option Scheme, the Board may determine to an employee (whether full-time or part-time) or a director of the Company or any of its subsidiaries (the "Eligible Persons under 2022 Share Option Scheme") to subscribe for shares. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The maximum number of shares which may be issued in respect of all options to be granted under the 2022 Share Option Scheme and any options or awards granted under any other share schemes (the "Other Schemes") of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the adoption date (the "2022 Scheme Mandate Limit"). The Board may, with the approval of the shareholders in general meeting, refresh the 2022 Scheme Mandate Limit after three years from the date on which the shareholders approve the last refreshment (or the adoption of the 2022 Share Option Scheme), provided that the total number of shares which may be issued upon in respect of all options to be granted under the 2022 Share Option Scheme and any options and awards to be granted under any Other Schemes under the 2022 Scheme Mandate Limit as refreshed must not exceed 10% of the number of Shares in issue as at the date on which the Shareholders approve the refreshment of the 2022 Scheme Mandate Limit. Unless approved by the shareholders in a general meeting, no options shall be granted to any Eligible Persons under 2022 Share Option Scheme which, if exercised, would result in the number of shares issued and to be issued in respect of all options granted under the 2022 Share Option Scheme and any options or awards granted under any Other Schemes to such Eligible Persons under 2022 Share Option Scheme (excluding any options and awards lapsed pursuant to the terms of the relevant scheme(s)) in the 12-month period up to and including the date of offer of such options, in aggregate exceeds 1% of the shares in issue at such date.

At the end of the reporting period, there was no share option outstanding under the 2022 Share Option Scheme (2021: none).

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32. RELATED PARTY TRANSACTIONS

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

	Notes	2022 RMB'000	2021 RMB'000
Fellow subsidiaries:			
Rental income, property management services and utility charges	(a)(i)	**28,411**	27,078
Rendering of services	(a)(iv),(a)(v)	**45,482**	105,239
Services received	(a)(iv),(a)(v)	**83,744**	20,952
Associate:			
Rendering of services	(a)(vii)	**42,961**	79,419

Name of related parties	Relationship
Wison Holding	Wholly owned by Mr. Hua Bangsong (the beneficial controlling shareholder of the Company) and is the ultimate holding company of the Company
惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd., "Wison Nantong")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
惠生(中國)投資有限公司 ("Wison (China) Investment")	Indirectly wholly owned by Wison Holding and is a subsidiary of the Company
Wison Investment (Hong Kong) Limited ("Wison Investment (HK)")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
舟山惠生海洋工程有限公司 (Zhoushan Wison offshore & Marine Co., Ltd., "Zhoushan Wison")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Offshore & Marine (Hong Kong) Limited ("Wison Offshore Marine")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company

32. RELATED PARTY TRANSACTIONS *(continued)*

Name of related parties	Relationship
泰興天馬化工有限公司 (Taixing Tianma Chemical Engineering Co., Ltd., "Taixing Tianma")	Indirectly owned as to 15% by Wison Holding
上海惠生海洋工程有限公司 (Shanghai Wison Offshore & Marine Co., Ltd., "Wison Offshore Marine Shanghai")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
惠生(泰州)新材料科技有限公司 (Wison (Taizhou) New Material Technology Co., Ltd., "Wison Taizhou")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company
泰興博惠環保科技發展有限公司 (Taixing Bohui Environmental Technology Development Co., Ltd., "Taixing Bohui")	An associate of the Company
惠旭能源(江蘇)有限公司 (Huixu Energy (Jiangsu) Co. Ltd., "Huixu Energy")	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Company

Notes:

(a)(i) On 30 June 2020, Wison Engineering entered into the property leasing framework agreement with Wison Holding and its affiliates, pursuant to which Wison Engineering leases properties and provides property management services for the premises of the Group to Wison Holding and its affiliates.

The aggregate income of the rentals, property management fees and utility charges inclusive of value-added tax for the year ended 31 December 2022 from Wison Holding and its subsidiaries under the property leasing framework agreement, Wison (China) Investment, Wison Offshore Marine Shanghai and Huixu Energy, were RMB28,441,000 (2021: RMB27,078,000).

(a)(ii) On 12 January 2018 and 28 February 2018, Wison Holding, as licensor, entered into trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group in China and certain territories, such as Hong Kong, Russia, the United States of America, Australia, European Union, Singapore, Turkey, South Africa and Venezuela, respectively, on a perpetual and non-exclusive basis for nil consideration.

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32. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

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

(a)(iv) Wison Investment (HK), Wison Offshore Marine Shanghai, Zhoushan Wison, Wison Nantong and Wison Taizhou entered into construction service agreements with Wison USA, Wison Engineering, respectively. The relevant revenue recognised by the Group during the year ended 31 December 2022 was RMB33,984,000 (2021: RMB90,397,000). The cost of service fee incurred by the Group for services rendered by Wison Group during the year ended 31 December 2022 was RMB78,282,000 (2021: RMB13,749,000). The trade receivable relating to Wison Taizhou and contract assets with Wison Taizhou are set out in note 21 and note 23, respectively.

(a)(v) On 23 January 2020, the Company entered into a service agreement with Wison Holding. Pursuant to the agreement, the Group shall provide to Wison Holding and its subsidiaries ("Wison Group") consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the current and proposed business operations of Wison Group, and Wison Group shall provide to the Group information technology services and legal and compliance services. The term of the service agreement commences on 23 January 2020 and expires on 31 December 2022. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group under the service agreement are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administrative expenses actually incurred.

The service fee revenue recognised by the Group during the year ended 31 December 2022 from Wison Group was RMB11,498,000 (2021: RMB14,842,000). The cost of service fee incurred by the Group for services rendered by Wison Group during the year ended 31 December 2022 was RMB5,462,000 (2021: RMB7,203,000).

(a)(vi) Jiangsu Wison entered into a construction service agreement with Taixing Bohui. The relevant revenue recognised by the Group during the year ended 31 December 2022 was RMB42,961,000 (2021: RMB79,419,000). The trade receivable relating to Taixing Bohui and contract assets with Taixing Bohui are set out in note 21 and note 23, respectively.

(a)(vii) During the year ended 31 December 2022, Wison (China) Investment granted a credit facility to the Group with an amount of RMB200,000,000 covering the period from 1 March 2021 to 30 September 2022. On 31 July 2022, the Group has been granted foregoing credit facility with an extended period from 1 October 2022 to 31 March 2024. As at 31 December 2022, the Group had unused credit facilities of RMB200,000,000.

(a)(viii) On 22 December 2022, Wison Engineering and Wison Holdings entered into the entrustment guarantee agreement in relation to the guarantee provided by Wison Holding for Wison Engineering in favour of Zapsibneftekhim LLC, and Wison Engineering shall pay a guarantee fee to Wison Holding calculated based on 0.5% per annum of the total principal amount of the guarantee liability stated in the entrustment guarantee agreement. The maximum guarantee fee is RMB30,150,000 with the guarantee period from 1 January 2023 to 31 December 2028. During the year ended 31 December 2022, the amount prepaid to Wison Holdings was RMB10,000,000 (2021: Nil).

In the opinion of the directors of the Company, the transactions between the Group and Wison Holding, Wison Nantong, Wison (China) Investment, Wison Investment (HK), Zhoushan Wison, Wison Offshore Marine, Wison Offshore Marine Shanghai, Wison Taizhou, Huixu Energy and Taixing Bohui were conducted based on mutually agreed terms.

32. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(b) Balances with related parties:

	2022 RMB'000	2021 RMB'000
Due from fellow subsidiaries:		
Wison (China) Investment	**38,171**	13,512
Wison Offshore Marine Shanghai	**17,786**	5,783
Wison Investment (HK)	**12,687**	5,600
Wison Offshore Marine	**9,596**	4,348
Wison Taizhou	**6,320**	6,197
Huixu Energy	**4,714**	2,346
Wison Nantong	**47**	69
	89,321	37,855
Due to fellow subsidiaries:		
Zhoushan Wison	**4**	4
Wison (China) Investment	**147**	78
	151	82
Due to an associate:		
Henan Chuangsite	**630**	630

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

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Short term employee benefits	**3,452**	7,673
Equity-settled share option expenses	**–**	36
Total compensation paid to key management personnel	**3,452**	7,709

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

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Year ended 31 December 2022

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	245,875	–	245,875
Trade receivables	–	529,681	529,681
Bills receivable	–	81,331	81,331
Financial assets included in prepayments and other receivables (note 22)	–	154,217	154,217
Due from fellow subsidiaries	–	89,321	89,321
Pledged bank balances and time deposits	–	590,351	590,351
Cash and cash equivalents	–	380,590	380,590
	245,875	1,825,491	1,982,045

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,143,283
Financial liabilities included in other payables and accruals (note 26)	114,733
Due to fellow subsidiaries	151
Due to an associate	630
Interest-bearing bank and other borrowings	1,187,632
	4,446,429

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2021

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	242,697	–	242,697
Trade receivables	–	684,479	684,479
Bills receivable	–	173,221	173,221
Financial assets included in prepayments and other receivables (note 22)	–	73,948	73,948
Due from fellow subsidiaries	–	37,855	37,855
Pledged bank balances and time deposits	–	659,694	659,694
Cash and cash equivalents	–	931,268	931,268
	242,697	2,560,465	2,803,162

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,642,233
Financial liabilities included in other payables and accruals (note 26)	73,387
Due to fellow subsidiaries	82
Due to an associate	630
Interest-bearing bank and other borrowings	1,173,038
	4,889,370

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Year ended 31 December 2022

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB12,791,000 (2021: RMB74,898,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills to which the suppliers had recourse was RMB12,791,000 (2021: RMB74,898,000) as at 31 December 2022.

At 31 December 2022, the Group discounted certain bills receivable accepted by banks in Mainland China (the "Discounted Bills") with a carrying amount of RMB19,690,000 (2021: Nil) to certain of its banks in order to monetise (the "Discount"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated interest-bearing bank and other borrowings. Subsequent to the Discount, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the Interest-bearing bank and other borrowings settled by the Discounted Bills to which the banks had recourse was RMB19,671,000 (2021: Nil) as at 31 December 2022.

Transferred financial assets that are derecognised in their entirety

At 31 December 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB132,356,000 (2021: RMB152,950,000). The Derecognised Bills had a maturity of six to twelve months at 31 December 2022. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2022, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

34. CONTINGENT LIABILITIES

The Group had the following significant pending litigations at the end of the reporting period:

(1) During 2022, a sub-contractor of Wison Engineering filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB680,000. As at 31 December 2022, a certain bank account of Wison Engineering of RMB700,000 was frozen by the People's Court of Taixing City for property preservation.

(2) During 2022, a sub-contractor of Wison Engineering filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB23,223,000.

(3) During 2022, a sub-contractor of Wison Engineering filed a claim to the People's Court of Taixing City, Jiangsu Province in Mainland China against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB4,108,000.

(4) During 2022, a sub-contractor of Jiangsu Wison filed a claim to the People's Court of Hekou District, Dongying city, Shandong Province in Mainland China against Jiangsu Wison for an additional payment of construction costs and liquidation damages of approximately RMB3,559,000.

(5) During 2022, a sub-contractor of Jiangsu Wison filed a claim to the People's Court of Gaogang District, Taizhou city, Jiangsu Province in Mainland China against Jiangsu Wison for an additional payment of construction costs and liquidation damages of approximately RMB1,954,000.

As of the date of approval of the financial statements, for the cases above, Wison Engineering, Jiangsu Wison and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination.

The directors of the Company are of the opinion that additional provision has been made for case (1) and case (2). For the other three cases which are without merits, the possibility for the Group being subject to additional payment claims is expected to be remote on the basis of the available evidence and legal advice obtained, the directors of the Company are of the opinion that no additional provision is required.

35. COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB3,314,000 due within one year and RMB29,000 due in the second to fifth years.

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Year ended 31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Long-term payables	**876,292**	336,413	**876,292**	336,413

Management has assessed that the fair values of cash and cash balances, pledged bank balances and time deposits, amounts due from fellow subsidiaries, trade and bills receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities, amounts due to fellow subsidiaries and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the non-current portion of trade payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the price per share of the comparable company by net assets value or earnings per share. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in an unlisted investment, which represents wealth management products issued by a bank in Mainland China. The Group has estimated the fair value of this unlisted investment by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Range/ratio	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	0.77 to 3.63 (2021: 0.74 to 2.08)	10% (2021: 10%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB4,739,000 (2021: RMB3,180,000)
		Average P/E multiple of peers	11.33 to 198.02 (2021: 36.52 to 37.93)	10% (2021: 10%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB2,935,000 (2021:RMB23,000)
		Discount for lack of marketability	20% to 25% (2021: 25%)	10% (2021: 10%) increase/ decrease in discount would result in decrease/increase in fair value by RMB2,406,000 (2021: RMB1,068,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	**165,678**	**–**	**80,197**	**245,875**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	154,733	–	87,964	242,697

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Year ended 31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Equity investments at fair value through other comprehensive income		
At 1 January	**87,964**	45,556
Total gains/(losses) recognised in other comprehensive income	**(7,767)**	(48,592)
Addition	**–**	91,000
At 31 December	**80,197**	87,964

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

Liabilities for which fair values are disclosed:
As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Trade payables, non-current portion	**–**	**–**	**876,292**	**876,292**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade payables, non-current portion	–	–	336,413	336,413

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies.

As a result of the foreign currency bank balances and various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, the Group's statement of financial position can be affected significantly by movements in the exchange rates of US$, HK$, Euro ("EUR"), Saudi Riyal ("SAR") and South African Rand ("ZAR") against RMB.

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Year ended 31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

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

	Increase/ (decrease) in rate %	Increase/ (decrease) in loss before tax RMB'000
Year ended 31 December 2022		
If the RMB weakens against the US$	5	(12,461)
If the RMB strengthens against the US$	5	12,461
If the RMB weakens against the HK$	5	(602)
If the RMB strengthens against the HK$	5	602
If the RMB weakens against the EUR	5	(180)
If the RMB strengthens against the EUR	5	180
If the RMB weakens against the SAR	5	(68)
If the RMB strengthens against the SAR	5	68
If the RMB weakens against the ZAR	5	(84)
If the RMB strengthens against the ZAR	5	84

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in rate %	Increase/ (decrease) in loss before tax RMB'000
Year ended 31 December 2021		
If the RMB weakens against the US$	5	(11,354)
If the RMB strengthens against the US$	5	11,354
If the RMB weakens against the HK$	5	(709)
If the RMB strengthens against the HK$	5	709
If the RMB weakens against the EUR	5	(214)
If the RMB strengthens against the EUR	5	214
If the RMB weakens against the SAR	5	(2,340)
If the RMB strengthens against the SAR	5	2,340
If the RMB weakens against the ZAR	5	(96)
If the RMB strengthens against the ZAR	5	96

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,690,902	2,690,902
Trade receivables*	–	–	–	1,203,684	1,203,684
Bills receivable	81,331	–	–	–	81,331
Financial assets included in prepayments and other receivables — Normal**	159,401	–	–	–	159,401
Due from fellow subsidiaries	89,321	–	–	–	89,321
Pledged bank balances and time deposits	590,351	–	–	–	590,351
Cash and bank balances	380,590	–	–	–	380,590
	1,300,994	–	–	3,894,586	5,195,580

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,841,373	2,841,373
Trade receivables*	–	–	–	1,049,887	1,049,887
Bills receivable	173,221	–	–	–	173,221
Financial assets included in prepayments and other receivables					
— Normal**	78,059	–	–	–	78,059
Due from fellow subsidiaries	37,855	–	–	–	37,855
Pledged bank balances and time deposits	659,694	–	–	–	659,694
Cash and bank balances	931,268	–	–	–	931,268
	1,880,097	–	–	3,891,260	5,771,357

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 23 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 28% (2021: 33%) and 62% (2021: 71%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively, within the EPC segment.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

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

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

Group

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2022					
Lease liabilities	–	846	9,949	28,998	39,793
Interest-bearing bank and other borrowings	989,447	2,052	181,702	–	1,173,201
Trade and other payables	–	2,225,661	160,066	907,794	3,293,521
Due to fellow subsidiaries	–	151	–	–	151
Due to an associate	630	–	–	–	630
	990,077	2,228,710	351,717	936,792	4,507,296

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2021					
Lease liabilities	–	4,419	13,855	5,774	24,048
Interest-bearing bank and other borrowings	747,327	90,740	344,762	–	1,182,829
Trade and other payables	–	3,179,575	203,912	359,146	3,742,633
Due to fellow subsidiaries	–	82	–	–	82
Due to an associate	630	–	–	–	630
	747,957	3,274,816	562,529	364,920	4,950,222

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment included in equity investments designated at fair value through other comprehensive income (note 19) as at 31 December 2022. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2022	**High/low 2022**	31 December 2021	High/low 2021
Hong Kong — Hang Seng Index	**20,030**	**25,050/14,597**	23,397	31,183/22,665

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

	Carrying amount of equity investments RMB'000	**Increase/ (decrease) in loss before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
2022			
Investments listed in:			
Hong Kong — Equity investments at fair value through other comprehensive income	**165,678**	**–**	**8,284**
Unlisted investments at fair value:			
— Equity investments designated at fair value through other comprehensive income	**80,197**	**–**	**4,010**

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2021			
Investments listed in:			
Hong Kong — Equity investments at fair value through other comprehensive income	154,733	–	7,737
Unlisted investments at fair value:			
— Equity investments designated at fair value through other comprehensive income	87,548	–	4,377

* Excluding accumulated losses or retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings	**1,187,632**	1,173,038
Total debt	**1,187,632**	1,173,038
Total equity	**2,575,601**	3,647,039
Gearing ratio	**46%**	32%

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38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB29,355,000 (2021: RMB1,107,000) and RMB29,355,000 (2021: RMB1,107,000), respectively, in respect of lease arrangements for properties which did not result in any cash flow.

(b) Changes in liabilities arising from financing activities

2022

	Lease liabilities RMB'000	Interests-bearing bank and other borrowings RMB'000
At 1 January 2022	19,930	1,173,038
Changes from financing cash flows	(17,361)	14,594
New leases (note 15)	29,355	–
Interest expense (note 7)	695	–
Interest paid classified as operating cash flows	(695)	–
At 31 December 2022	31,924	1,187,632

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities *(continued)*

2021

	Lease liabilities RMB'000	Interests-bearing bank and other borrowings RMB'000
At 1 January 2021	35,241	939,327
Changes from financing cash flows	(16,418)	233,711
New leases (note 15)	1,107	–
Interest expense (note 7)	1,418	–
Interest paid classified as operating cash flows	(1,418)	–
At 31 December 2021	19,930	1,173,038

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**9,873**	16,977
Within financing activities	**17,361**	16,418
	27,234	33,395

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39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Equity investments designated at fair value through other comprehensive income	**–**	154,733
Total non-current assets	**1**	154,734
CURRENT ASSETS		
Due from subsidiaries	**730,361**	695,823
Prepayments and other receivables	**417**	587
Dividends receivables	**744,276**	744,276
Cash and cash equivalents	**4,227**	8,513
Equity investments designated at fair value through other comprehensive income	**165,678**	–
Total current assets	**1,644,959**	1,449,199
CURRENT LIABILITIES		
Other payables and accruals	**4,011**	2,776
Due to subsidiaries	**11,157**	11,078
Total current liabilities	**15,168**	13,854
NET CURRENT ASSETS	**1,629,791**	1,435,345
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,629,792**	1,590,079
Net assets	**1,629,792**	1,590,079
EQUITY		
Share capital	**330,578**	330,578
Reserves (Note)	**1,299,214**	1,259,501
Total equity	**1,629,792**	1,590,079

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share option reserve RMB'000	Share premium reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2020 and1 January 2021	355,777	869,201	84,936	(47,518)	3,285	1,265,681
Net loss and total comprehensive income for the year	–	–	–	–	(5,996)	(5,996)
Other comprehensive income for the year:	–	–	–	–	–	–
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	(4,362)	–	(4,362)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	92	(92)	–
Equity-settled share option arrangements	4,178	–	–	–	–	4,178
Transfer of share option reserve upon the expiry of share options	(261,956)	–	–	–	261,956	–
At 31 December 2021 and 1 January 2022	**97,999**	**869,201**	**84,936**	**(51,788)**	**259,153**	**1,259,501**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**14,206**	**14,206**
Other comprehensive income for the year:	**–**	**–**	**–**	**–**	**–**	**–**
Changes in fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**27,239**	**–**	**27,239**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**49**	**(49)**	**–**
Equity-settled share option arrangements	**(1,732)**	**–**	**–**	**–**	**–**	**(1,732)**
Transfer of share option reserve upon the expiry of share options	**(96,267)**	**–**	**–**	**–**	**96,267**	**–**
At 31 December 2022	**–**	**869,201**	**84,936**	**(24,500)**	**369,577**	**1,299,214**

The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3 to the financial statements. The amount will either be transferred to the share premium amount when related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Notes to Financial Statements

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40. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in the financial statements, there are no events after the reporting date that require disclosure in these financial statements.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.