WISON ENGINEERING SERVICES CO. LTD.
惠 生 工 程 技 術 服 務 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2236)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION

HIGHLIGHTS:

- Our revenue for the year ended 31 December 2022 amounted to approximately RMB4,658,780,000, representing a decrease of 25.8% from approximately RMB6,279,549,000 recorded in 2021.

- Our gross loss for the year ended 31 December 2022 amounted to approximately RMB208,300,000, representing a decrease of 145.4% from gross profit of approximately RMB458,797,000 recorded in 2021.

- Our loss for the year ended 31 December 2022 amounted to approximately RMB1,197,386,000, representing an increase of 1,189.7% from approximately RMB92,839,000 recorded in 2021.

- Loss attributable to owners of the parent for the year ended 31 December 2022 amounted to approximately RMB1,185,486,000, representing an increase of 1,180.1% from loss attributable to owners of the parent of approximately RMB92,611,000 recorded in 2021.

- Our total new contract value (net of estimated value added tax) for the year ended 31 December 2022 amounted to approximately RMB11,312,845,000, representing an increase of 76.4% from approximately RMB6,414,042,000 recorded in the corresponding period in 2021.

- Our total backlog value (net of estimated value added tax) as at 31 December 2022 amounted to approximately RMB26,724,003,000, representing an increase of 4.7% from approximately RMB25,529,301,000 recorded as at 31 December 2021.

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wison Engineering Services Co. Ltd. ("**Wison Engineering**", "**Wison**" or the "**Company**") is pleased to announce annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**") together with selected explanatory notes and the relevant comparative figures for 2021.

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

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.

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.

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.

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 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 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, supervisionsupervision, 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 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.

FINANCIAL REVIEW

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.

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%

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%

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.

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%

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 4 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	2021
	RMB million	*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**	1.1
	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.

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 5 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.

	31 December 2018	31 December 2019	31 December 2020	31 December 2021	**31 December 2022**
Asset-Liability Ratio	69.2%	69.0%	61.6%	60.8%	**67.2%**

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

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, 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.

(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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(Expressed in RMB)

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**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	4	**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	5	**(91,242)**	(76,875)
Share of profits and losses of associates		**2,738**	2,626
LOSS BEFORE TAX	6	**(1,175,466)**	(66,985)
Income tax expense	7	**(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	9		
— Basic		**RMB(29.10) cents**	RMB(2.27) cents
— Diluted		**RMB(29.10) cents**	RMB(2.27) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in RMB)

	2022	2021
	RMB'000	*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
At 31 December 2022
(Expressed in RMB)

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,452,129**	1,448,510
Investment property		**–**	9,800
Other non-current assets		**141,817**	–
Right-of-use assets		**2,113,636**	2,150,814
Goodwill		**15,752**	15,752
Intangible assets		**22,380**	25,035
Investments in associates		**258,972**	213,022
Equity investments designated at fair value through other comprehensive income		**32,803**	242,697
Deferred tax assets		**–**	29,887
Total non-current assets		**4,037,489**	4,135,517
CURRENT ASSETS			
Equity investments designated at fair value through other comprehensive income		**213,072**	–
Inventories		**126,347**	218,351
Trade receivables	*10*	**529,681**	684,479
Bills receivable		**81,331**	173,221
Contract assets		**2,157,779**	2,697,171
Prepayments and other receivables		**737,584**	560,865
Due from fellow subsidiaries		**89,321**	37,855
Pledged bank balances and time deposits	*11*	**587,349**	659,694
Cash and bank balances	*11*	**383,592**	931,268
Total current assets		**4,906,056**	5,962,904
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,269,185**	3,306,846
Other payables and accruals		**1,158,964**	1,042,938
Interest-bearing bank and other borrowings		**1,187,632**	1,173,038
Lease liabilities		**8,413**	16,602
Due to fellow subsidiaries		**151**	82
Due to an associate		**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
At 31 December 2022
(Expressed in RMB)

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**23,511**	3,328
Long-term payables		**876,292**	336,413
Deferred tax liabilities		**398,019**	392,626
Government grants		**3,986**	4,116
Other non-current liabilities		**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	*13*	**330,578**	330,578
Share premium		**869,201**	869,201
Other reserves		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Group incurred a net loss attributable to owner 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 RMB619,500,000 have been granted with 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 borrowing of RMB619,500,000 from the Bank was classified as bank borrowing 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 year 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 going concern basis.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") promulgated by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for, equity investments, buildings and leasehold land which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 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.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 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 IFRSs 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 the 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.

(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 IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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.

3 OPERATING SEGMENT INFORMATION

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

— Engineering, procurement and construction ("**EPC**"); and
— Engineering, consulting and technical services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result 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.

Operating segments

Year ended 31 December 2022	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
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			**2,306,522**
Total liabilities			**6,364,004**
Other segment information			
Impairment losses recognized in the statement of profit or loss, net	**(585,179)**	**(25,564)**	**(610,743)**

Year ended 31 December 2021	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	6,035,818	243,731	6,279,549
Intersegment sales	61,960	1,341	63,301
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 recognized in the statement of profit or loss	(105,293)	(27,156)	(132,449)

Geographical information

Revenue from external customers

	2022	2021
	RMB'000	*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.

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%

4. 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**

For the year ended 31 December 2021

Segments	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*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

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**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from contracts with customers			
External customers	**4,463,620**	**195,160**	**4,658,780**
Intersegment sales	**27,645**	**11**	**27,656**
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	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*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

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	2021
	RMB'000	*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.

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

	2022	2021
	RMB'000	*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	2021
	RMB'000	*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 financial assets at fair value through profit or loss		
— mandatorily classified as such, including those 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*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

6. LOSS BEFORE TAX

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

	Note	**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		**48,226**	47,771
Depreciation of right-of-use assets		**77,003**	79,901
Research and development costs		**148,970**	168,910
Amortisation of intangible assets		**6,406**	5,960
Amortisation of other current assets**		**10,334**	–
Government grants		**(3,771)**	(5,828)
Impairment of financial and contract assets, net			
Impairment of trade receivables, net	*10*	**308,595**	125,609
Impairment of contract assets, net		**247,104**	6,840
Impairment of other receivables, net		**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		**9,178**	15,559
Gain on derecognition of financial asset at fair value through profit or loss			
— mandatorily classified as such, including those held for trading		**(733)**	(12)
Gain on modifications of financial liabilities that do not result in drecognition		**(35,971)**	(43,093)
Other finance costs:			
Increase in discounted amounts of financial liabilities arising from the passage of time		**29,456**	14,103
Auditor's remuneration		**6,228**	5,938
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries (including social welfare)		**593,572**	603,813
Retirement benefit scheme contributions		**53,846**	53,545
Equity-settled share option expenses		**(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.

7. INCOME TAX

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

	2022	2021
	RMB'000	*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	**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, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, Russia, South Africa, Japan, Mexico, Thailand, United Arab Emirates and Singapore during the year ended 31 December 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.

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	2021
	RMB'000	*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	**92,905**	39,731
Unrecognized 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.

8. DIVIDENDS

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

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,073,767,800 (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 calculation	**4,073,767,800**	4,073,767,800

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*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	2021
	RMB'000	*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

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**365,408**	239,799
Impairment losses, net *(note 6)*	**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:

(i) 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;

(ii) Increase in the loss allowance of RMB324,088,000 (2021: RMB136,976,000) as a result of an increase in trade receivables which were over credit term.

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

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

As at 31 December 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	2021
	RMB'000	*RMB'000*
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd.	**347,271**	70,321
Taixing Bohui Environmental Technology Development Co., Ltd.	**120,567**	104,791
Taixing Tianma Chemical Engineering Co., Ltd.	**76,832**	76,697
Wison Offshore Marine Shanghai	**7,815**	–
Wison (China) Investment	**50**	–
	552,535	251,809

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022	2021
	RMB'000	*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

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) were frozen by related courts for preservation.

At 31 December 2022, certain bank accounts of Wison Engineering of RMB700,000 (2021: Nil) 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.

12. TRADE AND BILLS PAYABLES

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

	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 days. Other than those suppliers granting extended credit period for more than one year.

13. SHARE CAPITAL AND RESERVES

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	2021
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**330,578**	330,578

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 31 December 2021, 1 January 2022 and 31 December 2022	**4,073,767,800**	**330,578**	**869,201**	**1,199,779**

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

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

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

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

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2022. The Audit Committee considered that the annual results are in compliance with all applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Messrs. Ernst & Young on this preliminary announcement.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting ("**2023 AGM**") will be held on Friday, 9 June 2023. A notice convening the 2023 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both dates inclusive, during which period no transfer of shares of the Company will be registered.

To ensure that Shareholders are entitled to attend and vote at the 2023 AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 5 June 2023.

EVENTS AFTER THE REPORTING PERIOD

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.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION

The Board proposes to amend the existing articles of association (the "**Articles of Association**") of the Company (the "**Proposed Amendments**") and to adopt the second amended and restated articles of association of the Company (the "**Amended and Restated Articles of Association**") in substitution for, and to the exclusion of, the Articles of Association in order to, among other things, (i) conform with the Core Shareholder Protection Standards which are set out in Appendix 3 to the Listing Rules; (ii) allow general meetings to be held as a hybrid meeting where shareholders of the Company (the "**Shareholders**") may attend by electronic means in addition to a physical meeting, or as an electronic meeting held and conducted wholly and exclusively by virtual attendance and participation by Shareholders by means of electronic facilities; (iii) bring the Articles of Association in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (iv) incorporate certain housekeeping amendments where it is considered desirable and to better align the wordings with those of the Listing Rules and the applicable laws of the Cayman Islands, as appropriate.

The Proposed Amendments and the adoption of the Amended and Restated Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting, and will become effective upon the approval by the Shareholders at the annual general meeting of the Company.

A circular of the annual general meeting containing, among other matters, details of the Proposed Amendments and adoption of the Amended and Restated Articles of Association, together with a notice of the annual general meeting and the related proxy form, will be despatched to the Shareholders in due course.

By Order of the Board
Wison Engineering Services Co. Ltd.
Zhou Hongliang
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhou Hongliang and Mr. Zheng Shifeng; the non-executive Director and Chairman of the Company is Mr. Liu Hongjun; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.