THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wison Engineering Services Co. Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF
25% EQUITY INTEREST IN
WISON ENGINEERING LTD.

A letter from the Board is set out from pages 4 to 11 of this circular.

28 June 2018

CONTENTS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the Sale Equity by the Purchaser pursuant to the terms of the Cooperation Conditions Transfer Agreement
"Announcement"	the announcement dated 6 June 2018 made by the Company in relation to the Acquisition
"Board"	the board of Directors of the Company
"Company"	Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), an exempted company with limited liability incorporated in the Cayman Islands whose issued Shares are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of RMB350 million (equivalent to approximately HK$429 million) payable by the Purchaser to the Vendor in accordance with the Cooperation Conditions Transfer Agreement
"Cooperation Conditions Transfer Agreement"	the cooperation condition transfer agreement dated 6 June 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Director(s)"	directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"independent third party(ies)"	any party who is not connected (within the meaning of the Listing Rules) with any Director, chief executive or substantial shareholder of the Company or any of its respective subsidiaries or an associate of any of them
"Jiangsu Xinhua"	Jiangsu Xinhua Chemical Engineering Co., Ltd.* (江蘇新華化工機械有限公司), a company established in the PRC with limited liability

"Latest Practicable Date"	21 June 2018, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Ningbo Chuang Huan Investment Management Company Limited* (寧波創煥投資管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity"	equity interest in the Target Company, comprising 25% of the total equity interest of the Target Company, to be acquired by the Purchaser from the Vendor pursuant to the Cooperation Conditions Transfer Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Wison Engineering Ltd.* (惠生工程(中國)有限公司), a Sino-foreign co-operative joint venture established in the PRC, which is owned as to 75% by Wison Energy Engineering (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, and 25% by the Vendor as at the Latest Practical Date

"Vendor"	Ningbo Wei Yu Shang Zhi Investment Management Partnership (Limited Partnership)* (寧波威宇尚致投資管理合夥企業(有限合夥)), a limited partnership established in the PRC, which owned 25% equity interest in the Target Company (but is entitled to 10% of its distributable profits) and is controlled by the sole shareholder of Jiangsu Xinhua as at the Latest Practicable Date
"Wison Energy (HK)"	Wison Energy Engineering (Hong Kong) Limited (惠生能源工程(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Wison Investment"	Wison Engineering Investment Limited (惠生工程投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder of the Company
"%"	per cent.

Note: Unless specified otherwise, the exchange rate of RMB1=HK$1.22540 has been used, where applicable, for illustration purposes only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate, at any other rates or at all.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

* *For identification purposes only*

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)

Executive Directors:
Ms. Rong Wei *(Chief Executive Officer)*
Mr. Zhou Hongliang
Mr. Li Zhiyong *(Chief Financial Officer)*
Mr. Dong Hua

Independent Non-executive Directors:
Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

Registered Office:
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Clifton House
75 Fort Street
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Principal Place of Business in Hong Kong:
Room 5408
54th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

28 June 2018

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF
25% EQUITY INTEREST IN
WISON ENGINEERING LTD.**

INTRODUCTION

Reference is made to the Announcement of the Company dated 6 June 2018, in which the Company announced that the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Cooperation Conditions Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Equity, comprising 25% of the total equity interest of the Target Company. As at the Latest Practicable Date, the Target Company was owned as to 75% by Wison Energy Engineering (Hong Kong)

Limited, an indirect wholly-owned subsidiary of the Company, and 25% by the Vendor. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The purpose of this circular is to give you, among other things: (i) further details of the Cooperation Conditions Transfer Agreement; (ii) details in relation to the Acquisition; (iii) the financial information of the Group; (iv) the financial information of the Target Company; and (v) the unaudited pro forma financial information of the Group upon Completion.

THE COOPERATION CONDITIONS TRANSFER AGREEMENT

Date

6 June 2018

Parties

(i) Ningbo Chuang Huan Investment Management Company Limited* (寧波創煥投資管理有限公司), as purchaser; and

(ii) Ningbo Wei Yu Shang Zhi Investment Management Partnership (Limited Partnership)* (寧波威宇尚致投資管理合夥企業(有限合夥)), as vendor.

Sale Equity to be acquired

The Sale Equity comprises 25% of the total equity interest of the Target Company.

Consideration

The Consideration for the Sale Equity of RMB350 million (equivalent to approximately HK$429 million) payable by the Purchaser to the Vendor shall be settled by cash within 180 days from the date of Completion or before 31 December 2018 (whichever is later). The Consideration will be funded by internal resources of the Group.

The deferred payment of the Consideration was agreed to by the Vendor and the Purchaser as a result of arm's length negotiations between the parties after taking into account all the terms and conditions of the Acquisition (including the amount of the Consideration) as a whole.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and with reference to the consolidated audited financial information and market capitalisation of the Group, as well as the net asset value of the Target Company. As part of the reorganisation of the Vendor's group, there is no change of control as a result of the acquisition made by the Vendor from Jiangsu Xinhua (the "**Vendor's Acquisition**"). The sole shareholder of Jiangsu Xinhua is the general partner of the Vendor. Therefore, the Consideration was determined without reference to the consideration in the Vendor's Acquisition which was determined without any involvement of the Company.

In addition, since almost the entire profits of the Company came from the Target Company for the year ended 31 December 2017, the market capitalisation of the Company, reflects, to a certain extent, the market value of the Target Company.

Taking into consideration all the elements above, together with the properties currently owned by the Target Company, the Company is of the view that the value of the Sale Equity shall be significantly over its book value. Therefore, the Board considers that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Conditions precedent

Completion of the Acquisition is conditional upon the fulfilment or waiver (as the case may be), of the following conditions precedent:

(a) the Vendor's representations and warranties remaining true, accurate and complete at all times between the date of the Cooperation Conditions Transfer Agreement and the Completion;

(b) there being no material adverse change to the Target Company's operation, financial position, and prospects prior to Completion;

(c) the Vendor having obtained approval from all of the partners in respect of the Acquisition in accordance with its partnership agreement and applicable laws and regulations;

(d) the Purchaser having obtained written shareholder's approval in respect of the Acquisition in accordance with its articles of association and the Listing Rules;

(e) the Target Company having complied with all the necessary registration, updates and fillings from the relevant governmental authorities in the PRC in respect of the Cooperation Conditions Transfer Agreement and the Acquisition contemplated thereunder; and

(f) the Acquisition not being in violation of any applicable laws and regulations in the PRC or the Listing Rules or regarded as in violation of any laws and regulations by the relevant PRC government authorities.

Save and except for conditions (d), (e) and (f) which are not waivable, all of the above conditions can be waived by the Purchaser, while the Vendor is not entitled to waive any of the conditions. As at the Latest Practicable Date, none of the conditions above had been waived.

Termination

The Cooperation Conditions Transfer Agreement may be terminated:

1. if the above conditions precedent are not satisfied or waived (where applicable) and the Completion does not take place on or before 31 July 2018 (the "**Long Stop Date**"), by the Purchaser by written notice to the Vendor within seven (7) days after the Long Stop Date;

2. by the innocent party unilaterally if the defaulting party does not remedy or rectify the fundamental breach within twenty (20) days after the innocent party giving notice requiring it to remedy or rectify that breach; or

3. by both parties after negotiation upon the occurrence of an event of force majeure that makes the performance of the Cooperation Conditions Transfer Agreement become impossible or unnecessary.

Completion

Completion will take place on or before the fifth (5th) business day, or such other date as the parties may agree, after all the conditions precedent have been fulfilled or waived (as the case may be). As at the Latest Practicable Date, the Target Company was owned as to 75% by Wison Energy Engineering (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, and 25% by the Vendor. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is an indirect non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, Wison Energy Engineering (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company and the Vendor held 75% and 25%, respectively, of the total equity interest of the Target Company. The Target Company and its subsidiaries are principally engaged in the provision of project solutions to petrochemical and coal-to-chemicals producers in terms of design, building and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the PRC and overseas.

Set out below are the net profits (both before and after taxation) of the Target Company based on the audited consolidated accounts of the Target Company prepared in accordance with IFRS, for the two financial years ended 31 December 2017:

	For the financial year ended 31 December	
	2016	**2017**
	RMB million	*RMB million*
	(Audited)	(Audited)
	(approximately)	*(approximately)*
Net profit before taxation	167.8	325.4
Net profit after taxation	72.2	274.1

As at 31 December 2017, the total assets and the net assets of the Target Company amounted to approximately RMB7,459.2 million (equivalent to approximately HK9,140.5 million) and RMB975.4 million (equivalent to approximately HK$1,195.3 million), respectively, based on the audited consolidated accounts of the Target Company prepared in accordance with IFRS.

To the best knowledge of the Company and after making reasonable enquiries, the aggregate original acquisition cost of 25% of the total equity interest of the Target Company by Jiangsu Xinhua was approximately RMB130.5 million (equivalent to approximately HK$159.9 million) the "**Original Acquisition**", and by the Vendor from Jiangsu Xinhua was approximately RMB52.7 million (equivalent to approximately HK$64.6 million). The Original Acquisition took place on 27 June 2002 (with subsequent disposal of certain equity interest on 15 July 2003) and the Vendor's Acquisition took place on 31 May 2018.

Please refer to Appendix II of this circular for further details about the financial information of the Target Company for the three years ended 31 December 2015, 2016 and 2017.

INFORMATION OF VENDOR

The Vendor, which is controlled by the sole shareholder of Jiangsu Xinhua, is an investment management partnership and was established in the PRC as limited partnership on 30 May 2018. The Vendor is principally engaged in investment management and investment consulting.

INFORMATION OF THE COMPANY

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or EPC services. The Group provides a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sales technical support.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition would be beneficial to the Company and its Shareholders as a whole due to the following reasons:

(1) it allows the Company to gain full ownership in the Target Company, which is principally engaged in the provision of EPC management service; and

(2) it allows full consolidation of the Target Company at the Company level, enhancing financial transparency to Shareholders and eliminating any value leakage associated with a sizable minority interest.

The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Conditions Transfer Agreement and the Acquisition contemplated thereunder are entered into on normal commercial terms after arm's length negotiations among the parties, and are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Financial Effect of the Acquisition

The Target Company is currently accounted for as a subsidiary of the Company on a consolidated basis in the financial statements of the Group and will continue to be accounted for as a subsidiary of the Company on a consolidated basis in the financial statements of the Group following the Completion. As such, the financials of the Target Company were already consolidated in the financial statements of the Group. Other than the reduction of cash and bank balance, as well as the change in net assets equivalent to the Consideration, the Acquisition will not have any impact on the earnings and liabilities of the Group.

Further details of the financial effects of the Acquisition, assuming that the Completion took place on 31 December 2017 with sufficient funding available for the Consideration, on the balance sheet of the Group upon Completion together with the base and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Target Company was a 75% indirectly owned subsidiary of the Company, and the remaining 25% equity interest in the Target Company was held by the Vendor. Therefore, the Vendor is a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Cooperation Conditions Transfer Agreement and the Acquisition contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Cooperation Conditions Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable, and that the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. No Director is considered to have a material interest in the Acquisition and therefore no Director was required to abstain from voting on the Board resolution approving the Cooperation Conditions Transfer Agreement and the Acquisition.

Further, since the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Acquisition.

As at the Latest Practicable Date, Wison Investment owned 3,088,782,146 Shares in the Company which represented approximately 75.92% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, Wison Investment has issued a written Shareholder's approval certificate to approve the Acquisition and accordingly, no extraordinary general meeting will be convened by the Company to approve the Acquisition.

SHAREHOLDERS APPROVAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition under the Cooperation Conditions Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Cooperation Conditions Transfer Agreement and the Acquisition. Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. In this connection, the Company has obtained a written approval for the Cooperation Conditions Transfer Agreement and the Acquisition in accordance with Rule 14.44 of the Listing Rules from Wison Investment, a Shareholder holding 3,088,782,146 ordinary Shares of the Company, representing approximately 75.92% of the issued Share capital of the Company as at the Latest Practicable Date. Wison Investment has the right to attend and vote at the general meeting (if convened) to approve the Cooperation Conditions Transfer Agreement and the Acquisition. As such, the Company is not required to convene an extraordinary general meeting to consider and approve the Cooperation Conditions Transfer Agreement and the Acquisition as permitted under Rule 14.44 of the Listing Rules.

RECOMMENDATION

Although no extraordinary general meeting will be convened for approving the Cooperation Conditions Transfer Agreement, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the Cooperation Conditions Transfer Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if an extraordinary general meeting was convened for approving the Cooperation Conditions Transfer Agreement and the transactions contemplated therein, the Directors would have recommended the Shareholders to vote in favour of the Cooperation Conditions Transfer Agreement and the transactions contemplated therein.

FURTHER INFORMATION

Your attention is drawn to other parts of this circular, which contain further information on the Group, the Target Company and other information required to be disclosed under the Listing Rules.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 is disclosed on (i) pages 59 to 151 of the annual report of the Company for the year ended 2015; (ii) pages 52 to 143 of the annual report of the Company for the year ended 31 December 2016; and (iii) pages 52 to 147 of the annual report of the Company for the year ended 31 December 2017, respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.wison-engineering.com).

2. INDEBTEDNESS

(a) Borrowings and debts

At the close of business on 31 May 2018, being the latest practicable date for the sole purpose of determining this statement of indebtedness and contingent liabilities of the Group prior to the printing of this circular, the Group had the total outstanding borrowings of RMB181.9 million (equivalent to approximately HK$222.9 million), details of which are as follows:

	RMB'000
Secured bank borrowings	171,906
Unsecured other borrowings	10,000
Total	181,906

(b) Contingent Liabilities

The Group had no contingent liabilities as at the Latest Practicable Date.

(c) General

Save as otherwise disclosed herein and apart from intra-group liabilities and normal trade payable in the normal course of business, as at the close of business on 31 May 2018, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2018.

3. WORKING CAPITAL

Taking into account present financial resources available to the Group, the effect of the Consideration payable for the Acquisition being expected to be settled by cash using internal resources of the Group and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group upon Completion will have sufficient working capital to meet its requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a private integrated service provider in engineering, procurement and construction ("**EPC**"). Given 20 years of operation, the Group has earned a reputation for its successful engineering performance in domestic and international markets.

The Group has more than 1,200 employees and has a number of patented technologies in petrochemical and coal-to-chemical sectors. Moreover, the subsidiaries of the Group have qualification certificates issued by the Chinese government. Together with established and effective management system, and project management personnel and engineers with extensive experience, the Group has proved its unique competitive advantages in technology development and project management.

Looking ahead, the Group will reinforce its foothold in China market and put more efforts in expanding overseas market and seizing opportunities arisen from the national initiative "One Belt, One Road", with an aim to optimize the competitive advantages of Chinese engineering companies in terms of cost control and project management and to secure more orders from the Middle East, North America, Russia, Central Asia, Southeast Asia and other regions.

In addition, the Group will continue to invest in research and development of core technologies, and will focus on the technological development of new material processes and catalysts to create a vantage point in term of technology.

Meanwhile, in terms of project management and project implementation, the Group will promote the innovative application of modularization and digital technology in engineering, and improve the management level and work efficiency.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up).

1. ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

The Directors
Wison Engineering Services Co. Ltd.

Dear Sirs,

We report on the historical financial information of Wison Engineering Ltd. (the "**Target Company**") set out on pages II-3 to II-64, which comprises the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the years ended 31 December 2015, 2016 and 2017 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-3 to II-64 forms an integral part of this report, which has been prepared for inclusion in the circular of Wison Engineering Services Co. Ltd. (the "**Company**") dated 28 June 2018 (the "**Circular**") in connection with the proposed acquisition of 25% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of the Target Company for the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

28 June 2018

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*6*	5,412,300	3,019,985	3,942,901
Cost of sales		(4,596,146)	(2,090,038)	(3,089,038)
GROSS PROFIT		816,154	929,947	853,863
Other income and gains	*6*	511,822	581,111	187,898
Selling and marketing expenses		(51,254)	(54,270)	(62,695)
Administrative expenses		(209,848)	(157,545)	(211,369)
Other expenses		(253,606)	(847,701)	(304,335)
Finance costs	*7*	(421,877)	(284,207)	(136,706)
Share of profits and losses of an associate		458	463	(1,222)
PROFIT BEFORE TAX	*8*	391,849	167,798	325,434
Income tax	*10*	(57,757)	(95,640)	(51,316)
PROFIT FOR THE YEAR		334,092	72,158	274,118

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		4,133	22,209	(34,332)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		4,133	22,209	(34,332)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		4,133	22,209	(34,332)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		338,225	94,367	239,786

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	989,834	948,541	915,607
Investment properties	*13*	13,554	12,973	12,392
Prepaid land lease payments	*14*	161,136	157,099	153,062
Other intangible assets	*15*	10,372	7,048	4,364
Investment in an associate	*16*	2,037	2,500	1,278
Long-term prepayments	*20*	128,042	13,996	657
Deferred tax assets	*25*	—	825	11,986
Total non-current assets		1,304,975	1,142,982	1,099,346
CURRENT ASSETS				
Inventories	*17*	175,228	20,241	24,515
Gross amounts due from contract customers	*18*	4,026,301	3,789,290	2,039,201
Trade receivables	*19*	191,029	131,475	1,359,340
Bills receivable		84,033	194,914	1,202,274
Due from a related company	*29*	—	256	—
Due from fellow subsidiaries	*29*	41,190	45,541	303
Due from intermediate holding companies	*29*	60,423	60,423	60,645
Due from the ultimate holding company	*29*	87	—	—
Prepayments, deposits and other receivables	*20*	654,229	477,618	330,130
Pledged bank balances and time deposits	*21*	1,235,352	1,058,351	516,153
Cash and cash equivalents	*21*	1,193,755	659,648	827,252
		7,661,627	6,437,757	6,359,813
Assets classified as held for sale		116,210	—	—
Total current assets		7,777,837	6,437,757	6,359,813

		As at 31 December		
		2015	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Gross amounts due to contract customers	*18*	1,637,035	510,054	350,483
Trade and bills payables	*22*	3,335,012	2,995,829	3,482,714
Other payables, advances from customers and accruals	*23*	1,424,512	1,100,239	764,674
Interest-bearing bank and other borrowings	*24*	230,049	426,721	313,332
Due to the non-controlling shareholder	*29*	78	—	—
Due to a fellow subsidiary	*29*	—	—	32,746
Due to the immediate holding company	*29*	968,698	937,237	976,419
Due to an associate	*29*	630	630	630
Dividends payable		312,454	301,700	419,205
Tax payable		100,657	140,406	138,527
Total current liabilities		8,009,125	6,412,816	6,478,730
NET CURRENT (LIABILITIES)/ ASSETS		(231,288)	24,941	(118,917)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,073,687	1,167,923	980,429
NON-CURRENT LIABILITIES				
Government grants	*26*	5,275	5,144	5,014
Total non-current liabilities		5,275	5,144	5,014
NET ASSETS		1,068,412	1,162,779	975,415
EQUITY				
Share capital	*27*	510,000	510,000	510,000
Reserves	*28*	558,412	652,779	465,415
Total equity		1,068,412	1,162,779	975,415

STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000 (note 27)	Statutory surplus reserves RMB'000 (note 28)	Statutory expansion reserve RMB'000 (note 28)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2015	470,000	29,662	36,182	—	154,343	690,187
Profit for the year	—	—	—	—	334,092	334,092
Exchange differences related to foreign operations	—	—	—	4,133	—	4,133
Total comprehensive income for the year	—	—	—	4,133	334,092	338,225
Issue of shares	40,000	—	—	—	—	40,000
As at 31 December 2015 and 1 January 2016	510,000	29,662	36,182	4,133	488,435	1,068,412
Profit for the year	—	—	—	—	72,158	72,158
Exchange differences related to foreign operations	—	—	—	22,209	—	22,209
Total comprehensive income for the year	—	—	—	22,209	72,158	94,367
As at 31 December 2016 and 1 January 2017	510,000	29,662	36,182	26,342	560,593	1,162,779
Profit for the year	—	—	—	—	274,118	274,118
Exchange differences related to foreign operations	—	—	—	(34,332)	—	(34,332)
Total comprehensive income for the year	—	—	—	(34,332)	274,118	239,786
Transfer to the statutory reserve	—	4,359	4,359	—	(8,718)	—
Dividends declared *(note 11)*	—	—	—	—	(427,150)	(427,150)
As at 31 December 2017	510,000	34,021	40,541	(7,990)	398,843	975,415

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		391,849	167,798	325,434
Adjustments for:				
Depreciation of property, plant and equipment and investment properties	*8, 12, 13*	68,082	43,474	45,087
Amortisation of other intangible assets	*8, 15*	5,368	5,082	3,201
Amortisation of prepaid land lease payments	*8, 14*	4,037	4,037	4,037
Recognition of government grants	*6, 26*	(696)	(8,995)	(5,178)
Share of profits and losses of an associate		(458)	(463)	1,222
Loss on disposal of items of property, plant and equipment	*8*	389	973	115
Gain on disposal of assets classified as held for sale	*6*	—	(220,189)	—
Impairment for gross amounts due from contract customers	*8, 18*	—	676,033	—
Finance costs	*7*	421,877	284,207	136,706
Interest income	*6*	(393,006)	(263,227)	(110,350)
		497,442	**688,730**	**400,274**
Decrease/(increase) in inventories		251,049	154,987	(4,274)
Decrease/(increase) in trade and bills receivables		1,078,225	334,852	(2,126,069)
Decrease/(increase) in prepayments, deposits and other receivables		595,991	(73,203)	31,884
(Increase)/decrease in long-term prepayments		(6,058)	4,890	1,810
(Increase)/decrease in amounts due from contract customers		(784,027)	(439,022)	1,750,089
Decrease in amounts due to contract customers		(134,281)	(1,126,981)	(159,571)
(Decrease)/increase in trade and bills payables		(639,690)	(339,183)	471,885
(Increase)/decrease in an amount due from a related company		—	(256)	256
Decrease/(increase) in amounts due from fellow subsidiaries		15,395	(4,351)	45,238
Increase in amounts due from intermediate holding companies		—	—	(222)
Decrease in an amount due from the ultimate holding company		—	87	—
Decrease in an amount due to the non-controlling shareholder		—	(78)	—
Increase/(decrease) in an amount due to a fellow subsidiary		—	—	32,746
Increase/(decrease) in an amount due to the immediate holding companies		826	(31,461)	39,182
Increase/(decrease) in other payables, advances from customers and accruals		1,101,402	(324,273)	(335,565)
(Increase)/decrease in pledged bank balances and time deposits		(932,160)	177,001	542,198
		1,044,114	**(978,261)**	**689,861**
Interest received		6,827	2,959	1,194
Interest paid		(35,698)	(23,939)	(27,549)
Tax paid		(11,930)	(56,716)	(64,357)
Net cash flows from/(used in) operating activities		**1,003,313**	**(1,055,957)**	**599,149**

		Year ended 31 December		
		2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(4,003)	(3,102)	(14,285)
Proceeds from disposal of items of property, plant and equipment		132	529	1,243
Proceeds from disposal of assets classified as held for sale		—	331,399	—
Purchase of other intangible assets	*15*	(2,606)	(1,758)	(517)
Receipt of government grants for property, plant and equipment	*26*	3,834	8,864	5,048
Decrease in unpledged time deposits with original maturity of more than three months		156,432	—	—
Net cash flows from/(used in) investing activities		**153,789**	**335,932**	**(8,511)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issue of new shares		40,000	—	—
Capital element of finance lease payments		(122)	(49)	—
New bank loans		348,800	456,121	446,538
Repayment of bank loans		(658,649)	(259,400)	(552,736)
Payment of dividends		(42,162)	(10,754)	(309,645)
Net cash flows (used in)/from financing activities		**(312,133)**	**185,918**	**(415,843)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**844,969**	**(534,107)**	**174,795**
Cash and cash equivalents at beginning of year		348,786	1,193,755	659,648
Effect of foreign exchange rate changes, net		—	—	(7,191)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,193,755**	**659,648**	**827,252**
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		504,331	659,648	827,252
Unpledged time deposits with original maturity of less than three months when acquired		689,424	—	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION	*21*	**1,193,755**	**659,648**	**827,252**
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF CASH FLOWS		**1,193,755**	**659,648**	**827,252**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Wison Engineering Ltd. (the "**Target Company**") is a limited liability company incorporated as a Sino-foreign co-operative enterprise in the People's Republic of China (the "**PRC**") on 14 November 1997. The principal place of business is located at 699 Zhongke Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China.

During the Relevant Periods, the Target Company is principally engaged in the provision of solutions for renovating existing ethylene cracking furnaces and design and construction of new ethylene cracking furnaces, and the provision of other chemical engineering processing system solutions in Mainland China and overseas.

2.1 BASIS OF PRESENTATION

Notwithstanding the Target Company has net current liabilities of RMB118,917,000 at 31 December 2017, the Historical Financial Information has been prepared by the directors on a going concern basis.

On 25 May 2018, 惠生(中國)投資有限公司 ("**Wison (China) Investment**"), a fellow subsidiary of the Target Company, issued a letter of comfort for which Wison (China) Investment agreed to provide continuing financial support to the Target Company, from the date of letter of comfort to 31 December 2019 in order to enable the Target Company to continue its operations in the ordinary course of business and to meet its obligations for nil consideration. The directors of the Target Company are satisfied that the Target Company will have sufficient financial resources to meet its financial liabilities as they fall due for the foreseeable future. Therefore, the Historical Financial Information has been prepared on a going concern basis.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 3 to the Historical Financial Information. The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to the following standards: — IFRS 3 *Business Combinations*[2] — IFRS 11 *Joint Arrangements*[2] — IAS 12 *Income Taxes*[2] — IAS 23 *Borrowing Costs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Target Company will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Target Company's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Company will adopt IFRS 9 from 1 January 2018. During 2017, the Target Company has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Target Company does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Target Company will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Target Company will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Target Company expects that the provision for impairment will increase upon the initial adoption of the standard.

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

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Target Company plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Target Company plans to apply the new requirements only to contracts that are not completed before 1 January 2018. During 2017, the Target Company has performed a detailed assessment on the impact of the adoption of IFRS 15. The expected changes in accounting policies will not have any significant impact on the Target Company's financial statements.

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Target Company expects to adopt IFRS 16 from 1 January 2019. The Target Company is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 30 to the financial statements, at 31 December 2017, the Target Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB19,234,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Target Company expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Target Company's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Target Company expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Target Company's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Target Company expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Target Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

The Target Company's investment in an associate is stated in the statement of financial position at the Target Company's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, inventories, amounts due from contract customers, deferred tax assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

A party is considered to be related to the Target Company if:

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

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over the following estimated useful lives.

Buildings	20–30 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment	5 years
Leasehold improvements	Over the lease terms and 5 years, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties over the estimated useful life of 30 years.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases are charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

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

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

The Target Company's financial liabilities include trade and bills payables, other payables, an amount due to the non-controlling shareholder, an amount due to a fellow subsidiary, an amount due to the immediate holding company, an amount due to an associate, dividends payable and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, either on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below or in the period when services are rendered;

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

(e) rental income, on a time proportion basis over the lease terms.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Target Company operating in Mainland China (the "**PRC group companies**") have participated in a local municipal government retirement benefit scheme (the "**Scheme**"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Target Company with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss in the period in which they are incurred.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Target Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Target Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

The functional currencies of certain overseas branches are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Target Company as lessor

The Target Company has entered into commercial property leases on its investment property. The Target Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

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

Estimated useful lives of property, plant and equipment

The Target Company's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates. The carrying value of property, plant and equipment was RMB989,834,000, RMB948,541,000 and RMB915,607,000 as at 31 December 2015, 2016 and 2017, respectively.

Percentage of completion of construction works and rendering services

The Target Company recognises revenue according to the percentage of completion of individual contracts of construction works and services, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts and service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Target Company reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

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

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of trade receivables and amounts due from contract customers

The Target Company maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Target Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Target Company would be required to revise the basis for making the allowance and its future results would be affected. Impairments of RMB42,338,000, RMB717,606,000 and RMB717,606,000 were recognised for the trade receivables and amounts due from contract customers as at 31 December 2015, 2016 and 2017, respectively. As at 31 December 2015, 2016 and 2017, the carrying amounts of trade receivables and amounts due from contract customers were RMB191,029,000, RMB131,475,000 and RMB1,359,340,000, respectively, and RMB4,026,301,000, RMB3,789,290,000 and RMB 2,039,201,000, respectively.

PRC corporate income tax

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets of RMB825,000 and RMB11,986,000 were recognised as at 31 December 2016 and 2017, respectively. The amount of unrecognised deductible temporary differences at 31 December 2015 was RMB3,621,000, and there were no unrecognised tax losses for the Relevant Periods.

5. OPERATING SEGMENT INFORMATION

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

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

Segment liabilities exclude other payables and accruals, interest-bearing bank and other borrowings, an amount due to the non-controlling shareholder, an amount due to a fellow subsidiary, an amount due to the immediate holding company, an amount due to an associate, dividends payable, tax payable and government grants as these liabilities are managed on a group basis.

Operating segments

Year ended 31 December 2015	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	5,300,039	112,261	5,412,300
Intersegment sales	—	—	—
Total revenue	5,300,039	112,261	5,412,300
Reconciliation:			
Elimination of intersegment sales			—
Revenue			5,412,300
Segment results	803,507	12,647	816,154
Reconciliation:			
Imputed interest income from a EPC contract	386,179		386,179
Interest on discounted letters of credit	(386,179)		(386,179)
Unallocated income			125,643
Unallocated expenses			(514,708)
Unallocated finance costs			(35,698)
Share of profits of an associate			458
Profit before tax			391,849
Segment assets	5,036,855	132,452	5,169,307
Reconciliation:			
Assets classified as held for sale			116,210
Corporate and other unallocated assets			3,797,295
Total assets			9,082,812
Segment liabilities	6,135,653	17,317	6,152,970
Reconciliation:			
Corporate and other unallocated liabilities			1,861,430
Total liabilities			8,014,400
Other segment information			
Share of profits of an associate			
Unallocated			458
Depreciation and amortisation			
Unallocated			77,487
Investment in an associate			
Unallocated			2,037
Capital expenditure*			
Unallocated			6,609

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

Year ended 31 December 2016	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	2,953,793	66,192	3,019,985
Intersegment sales	—	—	—
Total revenue	2,953,793	66,192	3,019,985
Reconciliation:			
Elimination of intersegment sales			—
Revenue			3,019,985
Segment results	916,419	13,528	929,947
Reconciliation:			
Imputed interest income from a EPC contract	260,268		260,268
Interest on discounted letters of credit	(260,268)		(260,268)
Unallocated income			320,843
Unallocated expenses			(1,059,516)
Unallocated finance costs			(23,939)
Share of profits of an associate			463
Profit before tax			167,798
Segment assets	4,511,116	79,331	4,590,447
Reconciliation:			
Corporate and other unallocated assets			2,990,292
Total assets			7,580,739
Segment liabilities	4,343,950	18,108	4,362,058
Reconciliation:			
Corporate and other unallocated liabilities			2,055,902
Total liabilities			6,417,960
Other segment information			
Share of profits of an associate			
Unallocated			463
Impairment losses recognised in the statement of profit or loss and other comprehensive income	(676,033)	—	(676,033)
Depreciation and amortisation			
Unallocated			52,593
Investment in an associate			
Unallocated			2,500
Capital expenditure*			
Unallocated			4,860

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

Year ended31 December 2017	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	3,877,716	65,185	3,942,901
Intersegment sales	—	—	—
Total revenue	3,877,716	65,185	3,942,901
Reconciliation:			
Elimination of intersegment sales			—
Revenue			3,942,901
Segment results	874,487	(20,624)	853,863
Reconciliation:			
Imputed interest income from a EPC contract	109,156		109,156
Interest on discounted letters of credit	(109,156)		(109,156)
Unallocated income			78,742
Unallocated expenses			(578,399)
Unallocated finance costs			(27,550)
Share of losses of an associate			(1,222)
Profit before tax			325,434
Segment assets	4,924,709	6,716	4,931,425
Reconciliation:			
Corporate and other unallocated assets			2,527,734
Total assets			7,459,159
Segment liabilities	4,070,573	69,687	4,140,260
Reconciliation:			
Corporate and other unallocated liabilities			2,343,484
Total liabilities			6,483,744
Other segment information			
Share of losses of an associate			
Unallocated			(1,222)
Depreciation and amortisation			
Unallocated			52,325
Investment in an associate			
Unallocated			1,278
Capital expenditure*			
Unallocated			14,802

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

Geographical information

Revenue from external customers

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	3,713,464	1,477,150	2,094,519
Saudi Arabia	170,467	246,310	1,082,429
Venezuela	1,528,369	1,296,525	765,953
	5,412,300	3,019,985	3,942,901

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

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

Information about major customers

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

	Year ended 31 December		
	2015	2016	2017
Customer A (EPC segment)	28.2%	42.9%	19.4%
Customer B (EPC segment)	N/A	N/A	18.5%
Customer C (EPC segment)	N/A	N/A	10.7%
Customer D (EPC segment)	N/A	N/A	10.7%
Customer E (EPC segment)	57.6%	27.1%	N/A

6. REVENUE, OTHER INCOME AND GAINS

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

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

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Construction contracts	5,375,481	2,937,875	3,869,694
Rendering of services	112,261	66,192	65,185
	5,487,742	3,004,067	3,934,879
Less: sales taxes	(75,442)	15,918	8,022
	5,412,300	3,019,985	3,942,901
Other income			
Government grants*	696	8,995	5,178
Interest income	393,006	263,227	110,350
Rental income	46,654	57,296	69,966
Others	5,704	5,362	2,404
	446,060	334,880	187,898
Gains			
Gain on disposal of assets classified as held for sale	—	220,189	—
Foreign exchange gains	65,762	26,042	—
	65,762	246,231	—
	511,822	581,111	187,898

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans wholly repayable within five years	31,772	21,803	21,802
Interest on discounted bills and letter of credit	390,097	262,404	114,904
Interest on finance leases	8	—	—
	421,877	284,207	136,706

8. PROFIT BEFORE TAX

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

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of services provided		4,596,146	2,090,038	3,089,038
Depreciation	*12, 13*	68,082	43,474	45,087
Research and development costs		173,506	116,385	126,719
Amortisation of prepaid land lease payments	*14*	4,037	4,037	4,037
Amortisation of other intangible assets	*15*	5,368	5,082	3,201
Impairment for gross amounts due from contract customers	*18*	—	676,033	—
Loss on disposal of items of property, plant and equipment		389	973	115
Minimum lease payments under operating leases		13,384	10,432	10,559
Auditor's remuneration		660	660	500
Employee benefit expense (including directors' and chief executive's remuneration) *(note 9)*:				
Wages and salaries		535,496	520,323	455,148
Retirement benefit scheme contributions		57,108	62,381	43,605
		592,604	582,704	498,753
Foreign exchange differences, net		(65,762)	(26,042)	15,868

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

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

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries and allowances	1,848	1,658	1,758
Discretionary bonuses	216	189	185
Retirement benefit scheme contributions	40	42	46
Total	2,104	1,889	1,989

(a) Executive directors

	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Executive directors					
Mr. Hua Bangsong *(iii)*	—	154	—	—	154
Mr. Liu Haijun *(ii)*	—	1,694	216	40	1,950
Mr. Zhuang Yongqing *(i)*	—	—	—	—	—
Mr. Han Jianyu	—	—	—	—	—
	—	1,848	216	40	2,104
Year ended 31 December 2016					
Executive directors					
Mr. Hua Bangsong *(iii)*	—	—	—	—	—
Mr. Qu Song *(iv)*	—	—	—	—	—
Mr. Liu Haijun *(ii)*	—	1,658	189	42	1,889
Mr. Han Jianyu	—	—	—	—	—
	—	1,658	189	42	1,889
Year ended 31 December 2017					
Executive directors					
Mr. Qu Song *(iv)*	—	—	—	—	—
Mr. Liu Haijun *(ii)*	—	1,758	185	46	1,989
Mr. Han Jianyu	—	—	—	—	—
	—	1,758	185	46	1,989

(i) Mr. Zhuang Yongqing resigned as an executive director of the Target Company with effect from 10 April 2015.

(ii) Mr. Liu Haijun was appointed as an executive director of the Target Company with effect from 10 April 2015.

(iii) Mr. Hua Bangsong resigned as the chief executive of the Target Company with effect from 25 February 2016.

(iv) Mr. Qu Song was appointed as the chief executive of the Target Company with effect from 25 February 2016.

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

(b) Five highest paid employees

The number of the five highest paid employees of the Target Company during the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
Directors	1	1	1
Non-director and non-chief executive employees	4	4	4
	5	5	5

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

Details of the remuneration of the non-director and non-chief executive highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	5,908	5,890	5,814
Discretionary bonuses	934	754	603
Retirement benefit scheme contributions	161	169	183
	7,003	6,813	6,600

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

	Year ended 31 December		
	2015	**2016**	**2017**
HK$1,500,001 to HK$2,000,000	1	2	1
HK$2,000,001 to HK$2,500,000	3	2	3
	4	4	4

10. INCOME TAX

Taxes on profits assessable have been calculated at the rates of tax prevailing in the jurisdictions in which the Target Company operates.

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current			
— Mainland China	33,622	69,942	53,185
— Elsewhere	24,135	26,523	9,292
Deferred *(note 25)*	—	(825)	(11,161)
Total tax charge for the year	57,757	95,640	51,316

The Target Company was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("**CIT**") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, the Target Company reapplied for the qualification of "High and New Technology Enterprise" and obtained the certification on 23 October 2017 which will be effective for another three years from 1 January 2017. Therefore, the Target Company was subject to CIT at a rate of 15% for the years ended 31 December 2015, 2016 and 2017. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions in which the Target Company operates.

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

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	391,849	167,798	325,434
At the effective income tax rates	58,777	25,170	48,815
Effect of different tax rates of branches operating in other jurisdictions	11,809	(22,849)	(12,578)
Additional tax deduction	(13,091)	(12,634)	(6,160)
Expenses not deductible for tax	262	105,953	21,239
Tax charge for the year	57,757	95,640	51,316

The share of tax attributable to an associate amounting to RMB61,000, RMB37,000 and RMB55,000 for the years ended 31 December 2015, 2016 and 2017, respectively, is included in "Share of profits and losses of an associate" in the statements of profit or loss and other comprehensive income.

11. DIVIDENDS

The distribution amounts set out in the statements of changes in equity of RMB427,150,000 for the year ended 31 December 2017 represented the dividends declared by the Target Company and approved by shareholders.

The directors did not declare any dividends for the years ended 31 December 2015 and 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
31 December 2015						
At 1 January 2015:						
Cost	1,234,176	524	10,026	25,216	80,518	1,350,460
Accumulated depreciation	(103,140)	(117)	(4,886)	(20,749)	(53,466)	(182,358)
Net carrying amount	1,131,036	407	5,140	4,467	27,052	1,168,102
At 1 January 2015, net of accumulated depreciation	1,131,036	407	5,140	4,467	27,052	1,168,102
Additions	—	—	786	460	3,190	4,436
Write-off	(9,321)	—	—	—	—	(9,321)
Depreciation provided during the year	(49,540)	(16)	(2,354)	(3,866)	(11,725)	(67,501)
Disposals	—	—	—	(42)	(479)	(521)
Transfer to assets classified as held for sale	(105,361)	—	—	—	—	(105,361)
At 31 December 2015, net of accumulated depreciation	966,814	391	3,572	1,019	18,038	989,834
At 31 December 2015:						
Cost	1,061,158	524	10,812	25,259	79,116	1,176,869
Accumulated depreciation	(94,344)	(133)	(7,240)	(24,240)	(61,078)	(187,035)
Net carrying amount	966,814	391	3,572	1,019	18,038	989,834

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	1,061,158	524	10,812	25,259	79,116	1,176,869
Accumulated depreciation	(94,344)	(133)	(7,240)	(24,240)	(61,078)	(187,035)
Net carrying amount	966,814	391	3,572	1,019	18,038	989,834
At 1 January 2016, net of accumulated depreciation	966,814	391	3,572	1,019	18,038	989,834
Additions	—	—	826	100	2,176	3,102
Depreciation provided during the year	(32,832)	(10)	(988)	(633)	(8,430)	(42,893)
Disposals	—	(381)	(332)	(226)	(563)	(1,502)
At 31 December 2016, net of accumulated depreciation	933,982	—	3,078	260	11,221	948,541
At 31 December 2016:						
Cost	1,061,158	—	8,308	24,480	75,317	1,169,263
Accumulated depreciation	(127,176)	—	(5,230)	(24,220)	(64,096)	(220,722)
Net carrying amount	933,982	—	3,078	260	11,221	948,541

	Construction in progress *RMB'000*	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
31 December 2017							
At 31 December 2016 and 1 January 2017:							
Cost	—	1,061,158	—	8,308	24,480	75,317	1,169,263
Accumulated depreciation	—	(127,176)	—	(5,230)	(24,220)	(64,096)	(220,722)
Net carrying amount	—	933,982	—	3,078	260	11,221	948,541
At 1 January 2017, net of accumulated depreciation	—	933,982	—	3,078	260	11,221	948,541
Additions	2,580	610	—	1,871	5,874	3,350	14,285
Write-off	—	(1,355)	—	—	—	—	(1,355)
Depreciation provided during the year	—	(33,884)	—	(3,898)	(665)	(6,059)	(44,506)
Disposals	—	—	—	(114)	(309)	(935)	(1,358)
At 31 December 2017, net of accumulated depreciation	2,580	899,353	—	937	5,160	7,577	915,607
At 31 December 2017:							
Cost	2,580	1,060,413	—	9,761	25,839	71,668	1,170,261
Accumulated depreciation	—	(161,060)	—	(8,824)	(20,679)	(64,091)	(254,654)
Net carrying amount	2,580	899,353	—	937	5,160	7,577	915,607

The Target Company's buildings are situated in Mainland China and are held under medium-term leases.

At 31 December 2015, the Target Company's buildings with a net book value of approximately RMB14,716,000 were pledged to secure general banking facilities granted to the Target Company (note 24). The net book value of property, plant and equipment held under finance leases included in the total amount of office equipment at 31 December 2015 amounted to RMB432,000.

13. INVESTMENT PROPERTIES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	14,135	13,554	12,973
Depreciation	(581)	(581)	(581)
Carrying amount at 31 December	13,554	12,973	12,392

The fair value of the Target Company's investment properties was RMB38,625,000, RMB39,455,000, and RMB39,928,000 as at 31 December 2015, 2016 and 2017, respectively, based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers. Each year, the Target Company's management decides to appoint which external valuer to be responsible for the external valuations of the Target Company's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Target Company's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2015, the Target Company's investment properties were pledged to secure certain banking facilities granted to the Target Company (note 24).

The Target Company's investment properties are situated in Mainland China under medium-term leases and are leased to a third party under operating leases (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Company's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	—	—	38,625	38,625

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	—	—	39,455	39,455

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	—	—	39,928	39,928

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

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average		
			2015	2016	2017
Commercial properties	Income method	Market monthly rental (RMB) (per square meter)	11–12	12–12.6	11.5–12
		Long term vacancy rate	5%	5%	5%
		Yield rate	6.5%	6.5%	6.0%

Under the income method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

14. PREPAID LAND LEASE PAYMENTS

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	169,210	165,173	161,136
Amortised during the year	(4,037)	(4,037)	(4,037)
Carrying amount at end of the year	165,173	161,136	157,099
Current portion included in prepayments, deposits and other receivables	(4,037)	(4,037)	(4,037)
Non-current portion	161,136	157,099	153,062

15. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Software			
At 1 January			
Cost	46,632	49,238	50,996
Accumulated amortisation	(33,498)	(38,866)	(43,948)
Net carrying amount	13,134	10,372	7,048
Cost at 1 January, net of accumulated amortisation	13,134	10,372	7,048
Additions	2,606	1,758	517
Amortisation provided during the year	(5,368)	(5,082)	(3,201)
At the end of the year, net of accumulated amortisation	10,372	7,048	4,364
At the end of the year			
Cost	49,238	50,996	51,513
Accumulated amortisation	(38,866)	(43,948)	(47,149)
Net carrying amount	10,372	7,048	4,364

16. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	2,037	2,500	1,278

Particulars of the associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Target Company	Principal activities
河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd. ("**Henan Chuangsite**"))	Ordinary shares	PRC/Mainland China	30	Supervisory services for construction projects

Henan Chuangsite is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the financial information of Henan Chuangsite, the Target Company's associate that is not material:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's profit/(loss) for the year	458	463	(1,222)
Share of the associate's other comprehensive income/(loss)	—	—	—
Share of the associate's total comprehensive income	458	463	(1,222)
Aggregate carrying amount of the Target Company's investment in the associate	2,037	2,500	1,278

17. INVENTORIES

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Construction materials, net	175,228	20,241	24,515

18. CONSTRUCTION CONTRACTS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Gross amounts due from contract customers	4,026,301	4,465,323	2,715,234
Impairment	—	(676,033)	(676,033)
	4,026,301	3,789,290	2,039,201
Gross amounts due to contract customers	(1,637,035)	(510,054)	(350,483)
	2,389,266	3,279,236	1,688,718

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	26,058,587	35,138,379	22,638,859
Less: Progress billings	(23,669,321)	(31,859,143)	(20,950,141)
	2,389,266	3,279,236	1,688,718

Included in the amounts due from contract customers was an amount of RMB1,037,066,000, RMB951,169,000, and RMB863,169,000 as at 31 December 2015, 2016 and 2017, respectively, which related to the Target Company's certain EPC projects, and has been identified as overdue in accordance with contract terms. The Target Company has recorded an impairment provision of RMB676,033,000 as at 31 December 2016 and 2017.

19. TRADE RECEIVABLES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	233,367	173,048	1,400,913
Impairment	(42,338)	(41,573)	(41,573)
	191,029	131,475	1,359,340

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

Trade receivables are unsecured and non-interest-bearing.

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

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables:			
Within 1 month	41,069	11,216	915,929
2 to 12 months	48,710	58,361	435,819
Over 1 year	101,250	61,898	7,592
	191,029	131,475	1,359,340

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

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	42,338	42,338	41,573
Amount written off as uncollectible	—	(765)	—
At 31 December	42,338	41,573	41,573

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

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

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables:			
Neither past due nor impaired	43,069	13,216	917,929
Less than 12 months past due	48,710	58,361	435,819
Over 1 year past due	99,250	59,898	5,592
	191,029	131,475	1,359,340

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

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

The amounts due from fellow subsidiaries included in the trade receivables are as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
舟山惠生海洋工程有限公司("**Zhoushan Wison**")	1,261	—	—
Wison Offshore & Marine Ltd. ("**Wison Marine Engineering**")	4,452	—	—

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current portion of prepaid land lease payments	4,037	4,037	4,037
Prepayments	688,679	450,520	302,058
Deposits	9,860	12,257	6,468
Other receivables	79,695	24,800	18,224
	782,271	491,614	330,787
Less: Non-current portion of prepayments	(128,042)	(13,996)	(657)
	654,229	477,618	330,130

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Prepayment for purchase of raw materials made to the non-controlling shareholder included in the prepayments is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. "**Jiangsu Xinhua**")	800	1,368	—

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	504,331	1,698,806	1,224,959
Time deposits with original maturity of less than three months	689,532	19,193	—
Time deposits with original maturity of more than three months	1,235,244	—	118,446
	2,429,107	1,717,999	1,343,405
Less: Pledged bank balances and time deposits	1,235,352	1,058,351	516,153
Unpledged cash and cash equivalents	1,193,755	659,648	827,252

Bank balances and time deposits of RMB1,234,493,000, RMB1,046,913,000, and RMB270,093,000 as at 31 December 2015, 2016 and 2017, respectively, were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

Bank balances of RMB859,000, RMB11,438,000, and RMB7,037,000 as at 31 December 2015, 2016 and 2017, respectively, were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

Bank balances and time deposits of RMB180,188,000 as at 31 December 2017, were pledged as security for bill facilities granted by the banks.

Bank balances of RMB58,835,000 as at 31 December 2017, were pledged to a bank as security for bank loans (note 24).

The cash and cash equivalents of the Target Company denominated in RMB amounted to RMB188,819,000, RMB94,635,000, and RMB367,619,000 as at 31 December 2015, 2016 and 2017, respectively. 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 Target Company 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 Target Company, 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.

22. 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:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	2,575,140	1,403,902	2,012,709
1 to 2 years	478,220	1,226,381	959,853
2 to 3 years	212,502	181,883	192,315
Over 3 years	69,150	183,663	317,837
	3,335,012	2,995,829	3,482,714

The amount due to the non-controlling shareholder included in the trade payables is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Jiangsu Xinhua	949	180	1,743

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

23. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Accruals	2,856	4,501	79,906
Advances from customers	1,180,923	856,175	307,063
Other payables	240,733	239,563	377,705
	1,424,512	1,100,239	764,674

Other payables are unsecured, non-interest-bearing and repayable on demand.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank loans repayable within one year — secured	230,000	426,721	282,332
Finance lease payables	49	—	—
Other loans within one year — unsecured	—	—	31,000
	230,049	426,721	313,332

An analysis of foreign currency loans (in original currency) is as follows:

	As at 31 December		
	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
US$ denominated	—	25,797	22,250
	EUR'000	*EUR'000*	*EUR'000*
Euro ("**EUR**") denominated	—	796	—

The effective interest rates of the Target Company's bank and other borrowings are as follows:

Year ended 31 December 2015	4.83% to 7.56%
Year ended 31 December 2016	2.93% to 5.20%
Year ended 31 December 2017	3.25% to 5.66%

Certain of the Target Company's bank loans are secured by the following assets:

		As at 31 December		
		2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	*12*	14,716	—	—
Investment properties	*13*	13,554	—	—
Bills receivable		—	20,000	—
Bank balances	*21*	—	—	58,835

Wison (China) Investment executed guarantees to certain banks for bank facilities granted to the Target Company of RMB220,000,000, RMB430,000,000, and RMB1,000,000,000 during the years ended 31 December 2015, 2016 and 2017, respectively. The loans were drawn down to the extent of RMB180,000,000, RMB316,954,000, and RMB227,332,000 as at 31 December 2015, 2016 and 2017, respectively (note 29).

During the year ended 31 December 2016, 惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd., "**Wison Nantong**"), a fellow subsidiary of the Target Company, pledged its property, plant and equipment and land use right, and 舟山惠生海洋工程有限公司 (Zhoushan Wison Offshore & Marine Co., Ltd., "**Zhoushan Wison**"), a fellow subsidiary of the Target Company, pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Target Company. As at 31 December 2016, the loans were drawn down to the extent of RMB89,767,000 (note 29).

The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

25. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	—	—	825
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year *(note 10)*	—	825	11,161
Gross deferred tax assets at 31 December	—	825	11,986

The Target Company's deferred tax assets are attributed to the following item, which are reflected in the statement of financial position:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets			
Accrual	—	825	11,161

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Deductible temporary differences	3,621	—	—

26. GOVERNMENT GRANTS

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year	2,137	5,275	5,144
Received during the year	3,834	8,864	5,048
Released to profit or loss *(note 6)*	(696)	(8,995)	(5,178)
Carrying amount at end of the year	5,275	5,144	5,014

27. SHARE CAPITAL

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Authorised and fully paid:			
510,000,000 shares of RMB 1 each	510,000	510,000	510,000

28. RESERVES

In accordance with the Company Law of the PRC and the articles of association of the Target Company, the Target Company may make appropriation to its statutory surplus reserves fund and expansion reserves fund as a percentage of its profit after tax. The amount of the appropriation is subject to the approval of the board of directors of the Target Company in accordance with the articles of association of the Target Company. Subject to certain restrictions set out in the Company Law of the PRC and the articles of association, part of these reserves may be converted to increase the Target Company's registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The statutory surplus reserves and the expansion reserves are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity.

29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Target Company had the following transactions with related parties during the year:

		Year ended 31 December		
		2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Related companies:				
Purchase of products	*(a)(1)*	39	2,553	5,008
Rental income	*(a)(2)*	730	730	201
Rendering of services	*(a)(2), (a)(12)*	937	132	33
Fellow subsidiaries:				
Purchase of products	*(a)(7)*	98	—	50,452
Rental income	*(a)(3), (a)(4)*	11,680	8,419	7,876
Rendering of services	*(a)(3), (a)(4), (a)(11), (a)(13), (a)(14)*	9,848	11,168	11,952
Services received	*(a)(8), (a)(9), (a)(15)*	1,360	—	47,029
Interest paid	*(a)(10)*	940	935	937

Name of the related party	Relationship
Jiangsu Xinhua	Chinese joint venture partner of the Target Company
上海新華通訊技術有限公司 (Shanghai Xinhua Telecommunication Technology Company Limited ("**Xinhua Telecommunication**"), formerly known as 上海惠生通訊技術有限公司)	Subsidiary of Jiangsu Xinhua
Wison Holding	Wholly owned by Mr. Hua Bangsong (the controlling shareholder of the Group) and the ultimate holding company of the Target Company
Wison (China) Investment	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Target Company
Wison Engineering Service	Indirectly wholly owned by Wison Holding and is the intermediate holding company of the Target Company
Wison Nantong	Indirectly owned by Wison Holding and is a fellow subsidiary of the Target Company
Wison Engineering Technology Limited ("**Wison Technology**")	Wholly owned by Wison Engineering Service and is the intermediate holding company of the Target Company
Wison Energy Engineering (Hong Kong) Limited ("**Wison Energy (HK)**")	Indirectly wholly owned by Wison Engineering Service and is the immediate holding company of the Target Company
惠生(揚州)化工機械有限公司 (Wison (Yangzhou) Chemical Machinery Co., Ltd., "**Wison Yangzhou**")	Indirectly wholly owned by Wison Engineering Service and is a fellow subsidiary of the Target Company
Wison Petrochemicals (NA), LLC	Indirectly wholly owned by Wison Engineering Service and is a fellow subsidiary of the Target Company
Henan Chuangsite	An associate company invested by the Target Company
Wison Marine Engineering	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Target Company
Shaanxi Changqing	Prior to August 2015, indirectly owned as to 13.2% by Wison Holding and was a related company of the Target Company
Zhoushan Wison	Indirectly wholly owned by Wison Holding and is a fellow subsidiary of the Target Company

Notes:

(a)(1) The Target Company and Jiangsu Xinhua entered into a renewed framework agreement effective on 25 April 2014 and 25 April 2017 based on the framework agreement entered into between the Target Company and Jiangsu Xinhua on 25 March 2011 for a term of three years whereby the Target Company will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. Under the renewed framework agreement, the annual consideration payable by the Target Company to Jiangsu Xinhua for the years ended 31 December 2015, 2016 and 2017 and the years ending 2018 and 2019 will not be more than RMB12,000,000. During the years ended 31 December 2015, 2016 and 2017, the Target Company's purchases of heat-resistant alloy pipes and other ancillary accessories from Jiangsu Xinhua amounted to RMB39,000, RMB2,553,000 and RMB5,008,000, respectively. The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers. The prepayments and trade payables relating to Jiangsu Xinhua are set out in notes 20 and 22.

(a)(2) On 12 December 2013, the Target Company and Xinhua Telecommunication entered into a lease agreement, pursuant to which the Target Company leased out office space in its office building to Xinhua Telecommunication for RMB730,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Target Company and Xinhua Telecommunication entered into a property management services agreement, pursuant to which the Target Company would provide property management services in relation to the premises leased to Xinhua Telecommunication for RMB132,000 per annum for a three-year period commencing from 1 January 2014.

On 19 December 2016, the Target Company and Xinhua Telecommunication have renewed the aforementioned lease agreement and property management services agreement. The rental has been increased to RMB803,000 per annum and the property service fee is kept at RMB132,000 per annum. Each of the renewed lease agreement and property management services agreement shall be for a 24-month period commencing from 1 January 2017. On 28 March 2017, the Target Company and Xinhua Telecommunication entered into a lease termination agreement to terminate the above lease agreement and property management services agreement dated 19 December 2016 from 1 April 2017.

The rental income and service income for the years ended 31 December 2015, 2016 and 2017 from Xinhua Telecommunication amounted to RMB730,000, RMB730,000 and RMB201,000, and RMB132,000, RMB132,000 and RMB33,000, respectively.

(a)(3) On 12 December 2013, the Target Company and Wison Nantong entered into a lease agreement, pursuant to which the Target Company leased out office space in its office building to Wison Nantong for RMB10,220,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Target Company and Wison Nantong entered into a property management service agreement, pursuant to which the Target Company would provide property management services in relation to the premises leased to Wison Nantong for RMB1,848,000 per annum, for a three-year period commencing from 1 January 2014.

On 27 August 2015, the Target Company entered into a supplemental agreement with Wison Nantong to amend certain terms of the previous lease agreement and property management service agreement dated 12 December 2013 which was effective from 1 September 2015. The rental has been adjusted proportionally from RMB10,220,000 per annum to RMB5,840,000 per annum and the property management service fee has been adjusted proportionally from RMB1,848,000 per annum to RMB1,056,000 per annum by reference to the size of the reduced gross floor area of the subject premises.

On 24 August 2016, the Target Company entered into a new lease agreement with Wison Nantong for RMB4,818,000 per annum for a 28-month period commencing from 1 September 2016 by reference to the size of the reduced gross floor area of the subject premises. The lease agreement dated 12 December 2013 and the supplemental agreement dated 27 August 2015 have been terminated accordingly. On the same date, the Target Company entered into a new property management services agreement with Wison Nantong for RMB792,000 per annum for a 28-month period commencing from 1 September 2016 by reference to the size of the reduced gross floor area of the subject premises. The property management agreement dated 12 December 2013 and the supplemental agreement dated 27 August 2015 have been terminated accordingly.

On 24 March 2017, the Target Company entered into supplemental agreements with Wison Nantong to amend certain terms of the previous lease agreement and property management services agreement both dated 24 August 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB4,818,000 per annum to RMB4,015,000 per annum, the property management services fee has been adjusted proportionally from RMB792,000 per annum to RMB690,000 per annum and the electricity fee has been adjusted to RMB36,000 per annum by reference to the size of the reduced gross floor area of the subject premises.

The rental income and services income for the years ended 31 December 2015, 2016 and 2017 from Wison Nantong amounted to RMB8,760,000, RMB5,499,000 and RMB4,216,000, and RMB1,584,000, RMB968,000 and RMB716,000, respectively.

(a)(4) On 12 December 2013, the Target Company and Wison (China) Investment entered into a lease agreement, pursuant to which the Target Company leased out office space in its office building to Wison (China) Investment for RMB2,920,000 per annum for a three-year period commencing from 1 January 2014.

On 12 December 2013, the Target Company and Wison (China) Investment entered into a property management service agreement, pursuant to which the Target Company would provide property management services in relation to the premises leased to Wison (China) Investment for RMB528,000 per annum, for a three-year period commencing from 1 January 2014.

On 19 December 2016, the Target Company and Wison (China) Investment entered into a new lease agreement, pursuant to which the Target Company leased out office space in its office building to Wison (China) Investment for RMB3,212,000 per annum for a two-year period commencing from 1 January 2017.

On 19 December 2016, the Target Company and Wison (China) Investment entered into a new property management services agreement, pursuant to which the Target Company would provide property management services in relation to the premises leased to Wison (China) Investment for RMB528,000 per annum for a two-year period commencing from 1 January 2017.

On 24 March 2017, the Target Company entered into supplemental agreements with Wison (China) Investment to amend certain terms of the previous lease agreement and property management services agreement both dated 19 December 2016, effective from 1 April 2017. The rental has been adjusted proportionally from RMB3,212,000 per annum to RMB3,809,000 per annum, the property management services fee has been adjusted proportionally from RMB528,000 per annum to RMB655,000 per annum and the electricity fee has been adjusted to RMB36,000 per annum, by reference to the size of the increased gross floor area of the subject premises.

The rental income and service income for the years ended 31 December 2015, 2016 and 2017 from Wison (China) Investment amounted to RMB2,920,000, RMB2,920,000 and RMB3,660,000, and RMB528,000, RMB528,000 and RMB623,000, respectively.

(a)(5) Wison Holding, as licensor, entered into three trademark licensing agreements with the Target Company to grant the rights to use the trademarks on a perpetual and non-exclusive basis for nil consideration during the years ended 31 December 2015, 2016 and 2017.

(a)(6) During the years ended 31 December 2015, 2016 and 2017, Wison (China) Investment executed guarantees to certain banks for bank facilities to the Target Company of RMB220,000,000, RMB430,000,000 and RMB1,000,000,000, respectively, at nil consideration. As at 31 December 2015, 2016 and 2017, the loans were drawn down to the extent of RMB180,000,000, RMB316,954,000 and RMB227,332,000, respectively (note 24).

(a)(7) On 18 March 2014, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased flowmeters from Wison Energy (HK) with a consideration of US$15,775. The relevant transaction amount incurred during the year ended 31 December 2015 was RMB98,000.

On 4 July 2016, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased line valves and the accompanying commissioning spare parts from Wison Energy (HK) with a consideration of EUR281,400. The transaction was completed during the year ended 31 December 2017. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB2,033,000.

On 14 February 2017, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased steel pipes from Wison Energy (HK) at a consideration of US$36,962. On 17 August 2017, the Target Company and Wison Energy (HK) entered into a contract amendment to amend the order quantity. The consideration has been adjusted accordingly from US$36,962 to US$29,825. The transaction was completed during the year ended 31 December 2017. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB205,000.

On 1 April 2017, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased expansion joints from Wison Energy (HK) with a consideration of US$2,028,407. The transaction was completed during the year ended 31 December 2017. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB13,878,000.

On 12 May 2017, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased reactors from Wison Energy (HK) with a consideration of US$582,750. The transaction was completed during the year ended 31 December 2017. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB4,001,000.

On 1 June 2017, the Target Company and Wison Energy (HK) entered into a procurement agreement whereby the Target Company purchased steel pipes from Wison Energy (HK) at a consideration of EUR3,886,091. On 26 July 2017, the Target Company and Wison Energy (HK) entered into a contract amendment to amend the order quantity. The consideration has been adjusted accordingly from EUR3,886,091 to EUR3,918,353. The transaction was completed during the years ended 31 December 2017. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB30,335,000.

(a)(8) On 11 May 2017, the Target Company and Wison Nantong entered into a processing and assembling contract, pursuant to which the Target Company engaged Wison Nantong to process and assemble the piping prefabrication parts in the PRC for a project of the Target Company at the contract price of RMB13,500,000. The relevant transaction amount incurred during the year ended 31 December 2017 was nil.

(a)(9) On 13 June 2017, the Target Company and Wison Nantong entered into the prefabrication and supply contract, pursuant to which the Target Company engaged Wison Nantong to design the structure, procure paint materials, prefabricate and assemble certain chemical equipment modules for a project of the Target Company in the PRC at a total contract price of RMB102,860,000. The relevant transaction amount incurred during the year ended 31 December 2017 was RMB47,029,000.

(a)(10) On 6 May 2013, the Target Company and Wison Energy (HK) entered into a loan agreement. The principal of the loan was RMB554,000,000, bearing interest per annum at 0.1%. The Target Company shall pay off the principal and interest of the loan on a one-time basis.

On 2 March 2014, the Target Company and Wison Energy (HK) entered into a loan agreement. The principal of the loan was RMB383,740,000, bearing interest per annum at 0.1%. The Target Company shall pay off the principal and interest of the loan on a one-time basis. As at 31 December 2015, 2016 and 2017, the loans were drawn down to the extent of RMB373,000,000, RMB373,000,000 and RMB373,000,000, respectively.

On 27 June 2016, the Target Company repaid the principal of RMB13,000,000 in advance. The relevant accrued interest during the years ended 31 December 2015, 2016 and 2017 amounted to RMB940,000, RMB935,000 and RMB937,000, respectively.

(a)(11) On 4 July 2014, the Target Company and Wison Nanjing entered into a framework agreement, pursuant to which the Target Company provided miscellaneous engineering design and technology services to Wison Nanjing and/or its subsidiaries in relation to their manufacturing facilities, public utility engineering systems and ancillary production systems. The framework agreement expired on 31 December 2016. The annual cap for the amount payable by Wison Nanjing to the Target Company under the framework agreement was expected not to exceed RMB2,000,000 for each of the years ended 31 December 2014, 2015 and 2016, respectively. Wison Nanjing has ceased to be a fellow subsidiary of the Target Company from August 2015. The Target Company recognised services income of RMB1,385,000 during the year ended 31 December 2015.

(a)(12) During the year ended 31 December 2011, the Target Company and Shaanxi Changqing entered into a construction contract whereby Shaanxi Changqing engaged the Target Company to undertake the construction of its coal-to-chemicals production facilities for a contract value of RMB2,186,500,000. The Target Company and Shaanxi Changqing agreed to increase the contract consideration by RMB305,220,000 due to variation orders. The Target Company recognised revenue of RMB805,000 on this contract during the year ended 31 December 2015. Shaanxi Changqing has ceased to be not a related company of the Target Company from August 2015.

(a)(13) During the year ended 31 December 2013, the Target Company and Wison Marine Engineering entered into a service contract for a total contract value of RMB3,850,000. The Target Company recognised revenue of RMB752,000 on this contract during the year ended 31 December 2015.

(a)(14) On 31 August 2015, the Target Company and Wison Energy (HK) entered into a technical consulting service agreement whereby Wison Energy (HK) engaged the Target Company to provide engineering services for a project of Wison Energy (HK) in Abu Dhabi. The relevant revenue recognised by the Target Company for the service during the years ended 31 December 2015, 2016 and 2017 amounted to RMB5,599,000, RMB9,672,000 and RMB10,613,000, respectively.

(a)(15) In January 2014, the Target Company and Wison Nanjing entered into the SNG cooperation agreement pursuant to which Wison Nanjing shall 1) provide the Target Company with the right to use the land and facilities owned by Wison Nanjing located at the Nanjing Chemical Industrial Park at a total consideration of RMB600,000; 2) provide the Target Company with certain gases such as hydrogen, carbon monoxide and carbon dioxide and utilities such as water and mid-pressure steam at a price which shall be either the actual costs to Wison Nanjing for such gases or utilities or the lowest price charged to other customers; and 3) second experienced staff to assist in the Target Company's project at 1.5 times of the basic salary of such staff, which after taking into account insurance, pension and other staff benefits, represents the costs to Wison Nanjing. During the year ended 31 December 2015, the Target Company has paid RMB1,360,000 to Wison Nanjing for the use of the gases and facilities.

(a)(16) During the year ended 31 December 2016, Wison Nantong pledged its property, plant, and equipment and land use right and Zhoushan Wison pledged its land use right to execute guarantees for bank facilities of RMB500,000,000 to the Target Company. As at 31 December 2016, the loans were drawn down to the extent of RMB89,767,000 (note 24).

(a)(17) On 25 May 2018, Wison (China) Investment issued a letter of comfort for which Wison (China) Investment agreed to provide continuing financial support to the Target Company for a period of at least 18 months from 1 July 2017 in order to enable the Target Company to continue its operations in the ordinary course of business and to meet its obligations for nil consideration.

In the opinion of the directors of the Target Company, the transactions between the ultimate holding company, the related companies and fellow subsidiaries were conducted based on mutually agreed terms.

(b) Balances with related parties:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Due from a related company:			
Xinhua Telecommunication	—	256	—
Due from fellow subsidiaries:			
Wison Yangzhou	41,152	41,152	—
Wison Petrochemicals (NA), LLC	10	10	10
Wison Nantong	28	3,357	293
Wison (China) Investment	—	1,022	—
	41,190	45,541	303
Due from intermediate holding companies:			
Wison Engineering Service	30,107	30,107	30,329
Wison Technology	30,316	30,316	30,316
	60,423	60,423	60,645
Due from the ultimate holding company:			
Wison Holding	87	—	—
Due to the non-controlling shareholder:			
Jiangsu Xinhua	78	—	—
Due to a fellow subsidiary:			
Wison Yangzhou	—	—	32,746
Due to the immediate holding company:			
Wison Energy (HK)	968,698	937,237	976,419
Due to an associate:			
Henan Chuangsite	630	630	630

The balances with the fellow subsidiaries, an associate, intermediate holding companies, the ultimate holding company, the non-controlling shareholder and a related company are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

(c) Compensation of key management personnel of the Target Company:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	19,122	9,058	10,157

Further details of directors' and chief executive's emoluments are included in note 9 to the Historical Financial Information.

30. OPERATING LEASE ARRANGEMENTS

As lessor

The Target Company leases its properties under operating lease arrangements, with leases negotiated for terms ranging from two to ten years.

At the end of each reporting period, the Target Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	55,138	42,016	53,017
In the second to fifth years, inclusive	15,668	48,851	36,459
After five years	82	49	24
	70,888	90,916	89,500

As lessee

The Target Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of each reporting period, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	12,408	8,172	11,068
In the second to fifth years, inclusive	11,531	2,288	8,166
	23,939	10,460	19,234

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

Financial assets

	As at 31 December		
Loans and receivables	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	191,029	131,475	1,359,340
Bills receivable	84,033	194,914	1,202,274
Financial assets included in prepayments, deposits and other receivables *(note 20)*	89,555	37,057	24,692
Due from a related company	—	256	—
Due from fellow subsidiaries	41,190	45,541	303
Due from intermediate holding companies	60,423	60,423	60,645
Due from the ultimate holding company	87	—	—
Pledged bank balances and time deposits	1,235,352	1,058,351	516,153
Cash and cash equivalents	1,193,755	659,648	827,252
	2,895,424	2,187,665	3,990,659

Financial liabilities

	As at 31 December		
Financial liabilities at amortised cost	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	3,335,012	2,995,829	3,482,714
Financial liabilities included in other payables, advances from customers and accruals *(note 23)*	76,220	76,589	78,794
Due to the non-controlling shareholder	78	—	—
Due to a fellow subsidiary	—	—	32,746
Due to the immediate holding company	968,698	937,237	976,419
Due to an associate	630	630	630
Dividends payable	312,454	301,700	419,205
Interest-bearing bank and other borrowings	230,049	426,721	313,332
	4,923,141	4,738,706	5,303,840

Transfers of Financial Assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2015, 2016 and 2017, the Target Company endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB30,233,000, RMB2,600,000 and RMB568,170,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Target Company has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Target Company did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the years ended 31 December 2016 and 2017 to which the suppliers have recourse was RMB2,600,000 and RMB568,170,000 as at 31 December 2016 and 2017, respectively.

Transferred financial assets that are derecognised in their entirety

At 31 December 2015, 2016 and 2017, the Target Company endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB707,650,000, RMB193,600,000 and RMB252,557,000 respectively. The Derecognised Bills had a maturity of six to twelve months. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Target Company if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Target Company has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Target Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Target Company's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2015, 2016 and 2017, the Target Company has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank balances and time deposits, an amount due from a related company, amounts due from fellow subsidiaries, amounts due from intermediate holding companies, an amount due from the ultimate holding company, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, advances from customers and accruals, interest-bearing bank and other borrowings, dividends payable, an amount due to the non-controlling shareholder, an amount due to a fellow subsidiary, an amount due to the immediate holding company and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Target Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments consist mainly of cash and cash equivalents, pledged bank balances and time deposits, an amount with a related company, amounts with fellow subsidiaries, amounts due from intermediate holding companies, an amount due from the ultimate holding company, an amount due to the non-controlling shareholder, an amount due to the immediate holding company, an amount due to an associate, dividends payable and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, the Target Company's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Target Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Target Company does not have any written risk management policies and guidelines. Generally, the Target Company introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Target Company's exposure to risk for changes in market interest rates relates primarily to the Target Company's bank and other borrowings set out in note 24. The Target Company does not use derivative financial instruments to hedge interest rate risk. The Target Company manages its interest cost using a mix of variable rate bank and other borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Target Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*
Year ended 31 December 2015		
— US$ denominated loans	20	(460)
— US$ denominated loans	(20)	460
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*
Year ended 31 December 2016		
— RMB denominated loans	20	(484)
— RMB denominated loans	(20)	484
— US$ denominated loans	20	(358)
— US$ denominated loans	(20)	358
— EUR denominated loans	20	(12)
— EUR denominated loans	(20)	12
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*
Year ended 31 December 2017		
— US$ denominated loans	20	(291)
— US$ denominated loans	(20)	291

(b) Foreign currency risk

As a result of the foreign currency bank balances and bank borrowings, the Target Company's statement of financial position can be affected significantly by movements in the exchange rates of US$, EUR, Venezuelan Bolivar ("**VEF**") and Saudi Riyal ("**SAR**") against RMB.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of US$/EUR/VEF/SAR against RMB, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair values of other monetary assets and liabilities in US$/EUR/VEF/SAR).

	Increase/ (decrease) in rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
Year ended 31 December 2015		
If RMB weakens against US$	5	115,004
If RMB strengthens against US$	5	(115,004)
If RMB weakens against SAR	5	961
If RMB strengthens against SAR	5	(961)
If RMB weakens against VEF	5	367
If RMB strengthens against VEF	5	(367)
Year ended 31 December 2016		
If RMB weakens against US$	5	72,174
If RMB strengthens against US$	5	(72,174)
If RMB weakens against SAR	5	1,419
If RMB strengthens against SAR	5	(1,419)
If RMB weakens against EUR	5	(242)
If RMB strengthens against EUR	5	242
Year ended 31 December 2017		
If RMB weakens against US$	5	49,362
If RMB strengthens against US$	5	(49,362)

(c) Credit risk

The Target Company's bank balances are maintained mainly with state-owned banks in Mainland China.

The carrying amounts of the trade and bills receivables, other receivables, an amount due from a related company, amounts due from fellow subsidiaries, amounts due from intermediate holding companies and an amount due from the ultimate holding company included in the financial statements represent the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets. No other financial assets carry a significant exposure to credit risk.

The credit risk of the Target Company's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Target Company has a concentrate of credit risk on the trade receivables which are due from few major customers. The Target Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment provision is made for irrecoverable amounts, if any. Management considers the credit risk exposure is limited.

The Target Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

(d) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, trade and bills payables, other payables, dividends payable, an amount due to the non-controlling shareholder, an amount due to a fellow subsidiary, an amount due to the immediate holding company and an amount due to an associate. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Target Company's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
31 December 2015					
Interest-bearing bank and other borrowings	—	3,488	234,461	—	237,949
Trade and bills payables	—	3,335,012	—	—	3,335,012
Other payables and accruals	—	76,220	—	—	76,220
Due to the non-controlling shareholder	78	—	—	—	78
Due to the immediate holding company	968,698	—	—	—	968,698
Due to an associate	630	—	—	—	630
Dividends payable	312,454	—	—	—	312,454
31 December 2016					
Interest-bearing bank and other borrowings	—	209,875	222,078	—	431,953
Trade and bills payables	—	2,995,829	—	—	2,995,829
Other payables and accruals	—	76,589	—	—	76,589
Due the immediate holding company	937,237	—	—	—	937,237
Due to an associate	630	—	—	—	630
Dividends payable	301,700	—	—	—	301,700
31 December 2017					
Interest-bearing bank and other borrowings	—	240,493	74,544	—	315,037
Trade and bills payables	—	3,482,714	—	—	3,482,714
Other payables and accruals	—	78,794	—	—	78,794
Due to a fellow subsidiary	32,746	—	—	—	32,746
Due to the immediate holding company	976,419	—	—	—	976,419
Due to an associate	630	—	—	—	630
Dividends payable	419,205	—	—	—	419,205

(e) Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to equity holders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015, 2016 and 2017.

The Target Company monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings. The gearing ratios as at the end of the Relevant Periods were as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	230,049	426,721	313,332
Total debt	230,049	426,721	313,332
Total equity	1,068,412	1,162,779	975,415
Gearing ratio	22%	37%	32%

34. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interests-bearing bank and other borrowings	**Dividends payable**
	RMB'000	*RMB'000*
At 1 January 2015	540,020	354,616
Changes from financing cash flows	(309,971)	(42,162)
At 31 December 2015 and 1 January 2016	230,049	312,454
Changes from financing cash flows	196,672	(10,754)
At 31 December 2016 and 1 January 2017	426,721	301,700
Changes from financing cash flows	(106,198)	(309,645)
Dividends declared	—	427,150
Foreign exchange movement	(7,191)	—
At 31 December 2017	313,332	419,205

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2017.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

The following is the management discussion and analysis of the business and financial results of the Target Company for each of the three years ended 31 December 2015, 2016 and 2017 (the "**Relevant Periods**"). The following financial information is based on the accountant's report on the Target Company as set out in Appendix II of this circular.

A. BUSINESS REVIEW AND PROSPECTS

The Target Company is the key subsidiary of most significance of the Group and the majority of the Company's revenue and profit is derived from the Target Company. Meanwhile, given 20 years of operation, the Target Company has earned a reputation for its successful engineering performance in domestic and international markets.

The Target Company has more than 1,200 employees and has a number of patented technologies in petrochemical and coal-to-chemical sectors. Moreover, the Target Company has a qualification certificate issued by the Chinese government. Together with established and effective management system, and project management personnel and engineers with extensive experience, the Target Company has proved its unique competitive advantages in technology development and project management.

Looking ahead, the Target Company will reinforce its foothold in China market and put more efforts in expanding overseas market and seizing opportunities arisen from the national initiative "One Belt, One Road", with an aim to optimize the competitive advantages of Chinese engineering companies in terms of cost control and project management and to secure more orders from the Middle East, North America, Russia, Central Asia, Southeast Asia and other regions.

In addition, the Target Company will continue to invest in research and development of core technologies, and will focus on the technological development of new material processes and catalysts to create a vantage point in term of technology.

Meanwhile, in terms of project management and project implementation, the Target Company will promote the innovative application of modularization and digital technology in engineering, and improve the management level and work efficiency.

B. FINANCIAL REVIEW

Revenue and Gross Profit

For the year ended 31 December 2017, the comprehensive revenue of the Target Company amounted to RMB3,942.9 million, representing an increase of RMB922.9 million, or 30.6%, from RMB3,020.0 million in the previous year. For the year ended 31 December 2016, the comprehensive revenue of the Target Company amounted to RMB3,020.0 million, representing a decrease of RMB2,392.3 million, or 44.2%, from RMB5,412.3 million in the previous year.

Gross profit of the Target Company decreased by RMB76.0 million, or 8.2%, from RMB929.9 million for the year ended 31 December 2016 to RMB853.9 million for the year ended 31 December 2017. Gross profit of the Target Company increased by RMB113.7 million, or 13.9%, from RMB816.2 million for the year ended 31 December 2015 to RMB929.9 million for the year ended 31 December 2016. The gross profit margins of the Target Company for the years ended 31 December 2015, 2016 and 2017 were 15.1%, 30.8% and 21.7%, respectively.

Revenue of EPC increased by RMB923.9 million, or 31.3%, from RMB2,953.8 million for the year ended 31 December 2016 to RMB3,877.7 million for the year ended 31 December 2017. The increase was mainly because the previously and newly acquired EPC projects of the Target Company entered into the principal construction phase and progressed smoothly, leading to an increase in revenue to be recognized. Revenue of EPC decreased by RMB2,346.2 million, or 44.3%, from RMB5,300.0 million for the year ended 31 December 2015 to RMB2,953.8 million for the year ended 31 December 2016. The decrease was mainly because the major EPC projects of the Target Company approached the late construction phase, while other newly acquired EPC projects have not yet entered into the principal construction, leading to a decrease in revenue to be recognized.

Gross profit margin of EPC decreased from 31.0% for the year ended 31 December 2016 to 22.6% for the year ended 31 December 2017. The decrease was mainly because during the year ended 31 December 2016, the large-scale petrochemical and oil refinery projects of the Target Company approached the late construction phase, thus adjusting the overall budgets for these projects. Gross profit margin of EPC increased from 15.2% for the year ended 31 December 2015 to 31.0% for the year ended 31 December 2016. The increase was mainly because the large-scale petrochemical and oil refinery projects of the Target Company approached the late construction phase. Meanwhile, strict cost control measures have been implemented continuously, thus adjusting the overall budgets for these projects.

Revenue of engineering, consulting and technical services decreased by RMB1.0 million, or 1.5%, from RMB66.2 million for the year ended 31 December 2016 to RMB65.2 million for the year ended 31 December 2017. Gross profit margin of engineering, consulting and technical services decreased from 20.4% for the year ended 31 December 2016 to -31.6% for the year ended 31 December 2017. The decrease was mainly because during the Year ended 31 December 2017, the estimated contract amount of some engineering projects is lower than the estimated cost, which the Target Company expected that these engineering projects will have a profound impact on the future development. Revenue of engineering, consulting and technical services decreased by RMB46.1 million, or 41.1%, from RMB112.3 million for the year ended 31 December 2015 to RMB66.2 million for the year ended 31 December 2016. The decrease was mainly because of the poor market sentiment in large-scale domestic projects due to the impact of the macroeconomic environment, resulting in a decrease in early engineering work for projects. Gross profit margin of engineering, consulting and technical services increased from 11.3% for the year ended 31 December 2015 to 20.4% for the year ended 31 December 2016. The increase was mainly because during the year ended 31 December 2016, the Target Company had strengthened the cost control of engineering projects.

In petrochemicals, revenue increased by RMB986.0 million, or 211.0%, from RMB467.3 million for the year ended 31 December 2016 to RMB1,453.3 million for the year ended 31 December 2017. The increase was mainly because the major petrochemical projects in the Middle East entered into the principal construction phase and progressed smoothly. Revenue from petrochemicals decreased by RMB111.9 million, or 19.3%, from RMB579.2 million for the year ended 31 December 2015 to RMB467.3 million for the year ended 31 December 2016. The decrease was mainly because the major petrochemical project of the Target Company, Sichuan PTA Project, already completed its principal construction phase in the previous year, while other petrochemical projects newly acquired have not yet entered into principal construction phase.

In oil refineries, revenue was RMB1,540.6 million, RMB1,296.2 million and RMB765.5 million for the year ended 31 December 2015, 2016 and 2017, respectively. The decrease in revenue was mainly because the major oil refinery projects of the Target Company have entered the late construction phase, and recognised revenue decreased accordingly.

In coal-to-chemicals, revenue increased by RMB470.2 million, or 37.6%, from RMB1,251.9 million for the year ended 31 December 2016 to RMB1,722.1 million for the year ended 31 December 2017. The increase was mainly because the major coal-to-chemicals projects of the Target Company, signed in the year ended 31 December 2016 and 2017,entered into the principal construction phase, leading to an increase in revenue to be recognized. Revenue from coal-to-chemicals decreased by RMB2,036.4 million, or 61.9%, from RMB3,288.3 million for the year ended 31 December 2015 to RMB1,251.9 million for the year ended 31 December 2016. The decrease was mainly because the major coal-to-chemicals projects of the Target Company have entered the late construction phase, and recognised revenue decreased accordingly.

In other products and services, revenue decreased by RMB2.6 million, or 56.5%, from RMB4.6 million for the year ended 31 December 2016 to RMB2.0 million for the year ended 31 December 2017. Revenue from other products and services increased by RMB0.4 million, or 9.5%, from RMB4.2 million for the year ended 31 December 2015 to RMB4.6 million for the year ended 31 December 2016.

Other Income and Gains

Other income and gains decreased by RMB393.2 million, or 67.7%, from RMB581.1 million for the year ended 31 December 2016 to RMB187.9 million for the year ended 31 December 2017. The decrease in other income and gains was because the Target Company recognised a gain on disposal of assets classified as held for sale of RMB220.2 million in the year ended 31 December 2016. In addition, during the year ended 31 December 2017, interest income decreased by RMB152.8 million, rental income increased by RMB12.7 million and foreign exchange gains decreased by RMB26.0 million. The decrease in interest income was attributed to the decrease in principal portion of the financing arrangement for certain projects, and interest income recognised according to the relevant accounting standards decreased accordingly. The decrease in foreign exchange gains was due to the decrease in exchange rate of US dollar to RMB yuan in 2017.

Other income and gains increased by RMB69.3 million, or 13.5%, from RMB511.8 million for the year ended 31 December 2015 to RMB581.1 million for the year ended 31 December 2016. Interest income decreased by RMB129.8 million, gain on disposal of assets classified as held for sale increased by RMB220.2 million, rental income increased by RMB10.6 million and foreign exchange gains decreased by RMB39.8 million. The decrease in interest income was attributed to the decrease in principal portion of the financing arrangement for certain projects, and interest income recognised according to the relevant accounting standards decreased accordingly. The increase in gain on disposal of assets classified as held for sale was due to the disposal of the property of the Target Company during the year ended 31 December 2016. The decrease in foreign exchange gains was due to the narrowing of exchange rate fluctuation between RMB yuan and the US dollar in 2016.

Sales and Marketing Expenses

Sales and marketing expenses increased by RMB8.4 million, or 15.5%, from RMB54.3 million for the year ended 31 December 2016 to RMB62.7 million for the year ended 31 December 2017. The increase was mainly because the Target Company has increased preliminary expenditure in order to expand domestic and foreign markets.

Sales and marketing expenses increased by RMB3.0 million, or 5.8%, from RMB51.3 million for the year ended 31 December 2015 to RMB54.3 million for the year ended 31 December 2016. The increase was mainly due to the increase in expenditure as a result of the strengthening of the sales effort of the Target Company.

Administrative Expenses

Administrative expenses increased by RMB53.9 million, or 34.2%, from RMB157.5 million for the year ended 31 December 2016 to RMB211.4 million for the year ended 31 December 2017. The increase was primarily because the Target Company recognized equity-settled share-based payment expenses and related expenses for the new round of share options during the year ended 31 December 2017, and the increase in exchange losses during the year ended 31 December 2017.

Administrative expenses decreased by RMB52.3 million, or 24.9%, from RMB209.8 million for the year ended 31 December 2015 to RMB157.5 million for the year ended 31 December 2016. The decrease was primarily due to the decrease in depreciation expense and the amortization of share option expenses.

Other Expenses

Other expenses decreased by RMB543.4 million, or 64.1%, from RMB847.7 million for the year ended 31 December 2016 to RMB304.3 million for the year ended 31 December 2017. The decrease was primarily because the Target Company made provision for impairment of overdue gross amount due from contract customers in the year ended 31 December 2016.

Other expenses increased by RMB594.1 million, or 234.3%, from RMB253.6 million for the year ended 31 December 2015 to RMB847.7 million for the year ended 31 December 2016. The increase was primarily because the Target Company made provision for impairment of overdue gross amount due from contract customers during the year ended 31 December 2016.

Finance Costs

Finance costs decreased by RMB147.5 million, or 51.9%, from RMB284.2 million for the year ended 31 December 2016 to RMB136.7 million for the year ended 31 December 2017. Interest on discounted bills decreased by RMB147.5 million. The decrease in interest on discounted bills was primarily due to the decrease in the principal portion of the financing arrangements for certain projects, and interest on discounted bills decreased accordingly.

Finance costs decreased by RMB137.7 million, or 32.6%, from RMB421.9 million for the year ended 31 December 2015 to RMB284.2 million for the year ended 31 December 2016. Interest on bank loans decreased by RMB10.0 million and interest on discounted bills decreased by RMB127.7 million. The decrease in interest on bank loans was primarily due to the decrease in our average bank borrowings and average interest rate for the year ended 31 December 2016 compared with the year ended 31 December 2015. The decrease in interest on discounted bills was primarily due to the decrease in the principal portion of the financing arrangements for certain projects, and interest on discounted bills decreased accordingly.

Income Tax Expenses

Income tax expenses decreased by RMB44.3 million or 46.3%, from RMB95.6 million for the year ended 31 December 2016 to RMB51.3 million for the year ended 31 December 2017. The decrease was primarily due to the decrease in assessable income for the year ended 31 December 2017 and the Target Company has recognised the deferred tax assets related to the accruals.

Income tax expenses increased by RMB37.8 million or 65.4%, from RMB57.8 million for the year ended 31 December 2015 to RMB95.6 million for the year ended 31 December 2016. The increase was primarily due to the increase in assessable income for the year ended 31 December 2016.

Profit for the year

Profit for the year increased by RMB201.9 million, or 279.6%, from RMB72.2 million for the year ended 31 December 2016 to RMB274.1 million for the year ended 31 December 2017. The Target Company's net profit margin was 2.4% for the year ended 31 December 2016 and increased to 7.0% for the year ended 31 December 2017. The increase was primarily because the Target Company made provision for impairment of overdue gross amount due from contract customers for the year ended 31 December 2016, and profit for that year decreased accordingly.

Profit for the year decreased by RMB261.9 million, or 78.4%, from RMB334.1 million for the year ended 31 December 2015 to RMB72.2 million for the year ended 31 December 2016. The Target Company's net profit margin was 6.2% for the year ended 31 December 2015 and decreased to 2.4% for the year ended 31 December 2016. The decrease was primarily because the Target Company made provision for impairment of overdue gross amount due from contract customers for the year ended 31 December 2016.

Trade and Bills Receivables

The Target Company'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 days or the respective contracts' retention period. As at 31 December 2015, 2016 and 2017, the Target Company had trade receivables of RMB191.0 million, RMB131.5 million and RMB1,359.3 million, respectively, and bills receivables of RMB84.0 million, RMB194.9 million and RMB1,202.3 million, respectively.

Financial Resources, Liquidity and Capital Structure

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

As at 31 December 2015, 2016 and 2017, the Target Company's pledged and unpledged cash and bank balances amounted to RMB2,429.1 million, RMB1,718.0 million and RMB1,343.4 million, respectively.

Interest-bearing secured bank loans of the Target Company as at 31 December 2015, 2016 and 2017 were RMB230.0 million, RMB426.7 million and RMB 282.3 million, respectively.

Unsecured other loans of the Target Company as at 31 December 2017 were RMB 31.0 million.

The short-term bank borrowings of the Target Company accounted for 100% of the total bank borrowings.

Bank borrowings were denominated in RMB, USD and Euro at 31 December 2015, 2016 and 2017.

At 31 December 2015, 2016 and 2017, bank borrowings amounting to RMB230.0 million, RMB 58.5 million, and RMB 167.9 million bore interest at fixed rates.

The effective interest rates of the Target Company's bank and other borrowings ranged from 2.93% to 7.56%.

As at 31 December 2015, 2016 and 2017, the total equity of the Target Company was approximately RMB1,068.4 million, RMB1,162.8 million and RMB975.4 million, respectively.

Gearing Ratio

As at 31 December 2015, 2016 and 2017, the gearing ratio of the Target Company, which was derived by dividing total debt by total equity, was 0.2x, 0.4x and 0.3x, respectively.

Significant Investments and Material Acquisitions and Disposals

During the years ended 31 December 2015, 2016 and 2017, the Target Company has not conducted any significant investments or any material acquisitions or disposals.

Capital Expenditure

During the years ended 31 December 2015, 2016 and 2017, the capital expenditure of the Target Company amounted to RMB6.6 million, RMB4.9 million and RMB14.8 million.

Future Plan for Material Investment or Capital Assets

The Target Company will continue to seek business opportunities such as acquisition of or cooperation with other established company(ies) in the same industry, in order to horizontally integrate the Target Company's existing EPC services to other relevant business. As at the Latest Practicable Date, no specific target company was identified.

Foreign Exchange Risk Control and Hedging

The business transactions of the Target Company are mainly settled in RMB and US dollars. The Target Company is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the relevant entities. At present, the Target Company has not maintained any hedging policy against the foreign currency risk. However, the management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Asset Security

As at 31 December 2015, property, plant and equipment with carrying amount of RMB14.7 million and investment properties with carrying amounts of RMB13.6 million were pledged as security for bank facilities of the Target Company. As at 31 December 2016, bills receivable with carrying amount of RMB20.0 million was pledged as security for bank facilities of the Target Company. As at 31 December 2017, bank balances with carrying amount of RMB58.8 million were pledged as security for bank facilities of the Target Company.

Contingent Liability

The Target Company had no other contingent liabilities as at 31 December 2015, 2016 and 2017.

Human Resources

As at 31 December 2015, 2016 and 2017, the Target Company had 1,443, 1,094 and 1,332 employees, respectively. The Target Company reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Target Company contributes to various social insurance schemes in the PRC for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC, as well as additional business accident and medical insurance.

For the years ended 31 December 2015, 2016 and 2017, the total staff cost of the Target Company (including salaries, bonuses, insurance and share option schemes) amounted to RMB592.6 million, RMB582.7 million and RMB498.8 million.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Basis of preparation of the Unaudited Pro Forma Financial Information of the Group

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the acquisition of 25% equity interest in Wison Engineering Ltd. (the "**Target Company**") (the "**Acquisition**"), as if the Acquisition had taken place at 31 December 2017.

The Unaudited Pro Forma Financial Information has been prepared based on the consolidated statement of financial position of the Company and its subsidiaries (the "**Group**") as at 31 December 2017, which has been extracted from the Group's published audit report for the year ended 31 December 2017, after taking into account the pro forma adjustments relating to the Acquisition that are (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Acquisition had been completed on 31 December 2017.

The accompanying Unaudited Pro Forma Financial Information of the Group is prepared by the directors of the Company (the "**Directors**") based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Group upon completion of the Acquisition. As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Group following the completion of the Acquisition and does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on the date indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Group does not purport to predict the future financial position of the Enlarged Group after the completion of the Acquisition.

The Unaudited Pro Forma Financial Information of the Group has been prepared in accordance with aforementioned Listing Rules. The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in Appendix I to the Circular and other financial information included elsewhere in the Circular.

Unaudited Pro Forma Financial Information of the Group

	The Group as at 31 December 2017	Pro Forma adjustments		Unaudited Group as at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT ASSETS				
Property, plant and equipment	917,334			917,334
Investment properties	12,396			12,396
Prepaid land lease payments	152,948			152,948
Goodwill	15,752			15,752
Other intangible assets	4,364			4,364
Investment in an associate	1,278			1,278
Long-term prepayments	654			654
Deferred tax assets	11,986			11,986
Total non-current assets	1,116,712			1,116,712
CURRENT ASSETS				
Inventories	24,515			24,515
Gross amounts due from contract customers	2,051,469			2,051,469
Trade receivables	1,356,157			1,356,157
Bills receivable	1,202,274			1,202,274
Due from fellow subsidiaries	34,277			34,277
Prepayments, deposits and other receivables	335,671			335,671
Pledged bank balances and time deposits	542,269			542,269
Cash and cash equivalents	916,153	(350,000)	(2,000)	564,153
	6,462,785			6,110,785
Assets of a disposal classified as held for sale	33,374			33,374
Total current assets	6,496,159			6,144,159

	The Group as at 31 December 2017	Pro Forma adjustments		Unaudited Group as at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
CURRENT LIABILITIES				
Gross amounts due to contract customers	398,697			398,697
Trade and bills payables	3,516,007			3,516,007
Other payables, advances from customers and accruals	773,624			773,624
Interest-bearing bank and other borrowings	313,332			313,332
Due to an associate	630			630
Dividends payable	81,984			81,984
Tax payable	139,146			139,146
	5,223,420			5,223,420
Liabilities directly associated with assets classified as held for sale	6,556			6,556
Total current liabilities	5,229,976			5,229,976
NET CURRENT ASSETS	1,266,183			914,183
TOTAL ASSETS LESS CURRENT LIABILITIES	2,382,895			2,030,895
NON-CURRENT LIABILITIES				
Deferred tax liabilities	18,499			18,499
Government grants	5,014			5,014
Total non-current liabilities	23,513			23,513
NET ASSETS	2,359,382	(350,000)	(2,000)	2,007,382

Notes to the Unaudited Pro Forma Financial Information of the Group

1. The consolidated statement of assets and liabilities of the Group as at 31 December 2017 is extracted from the published audit report of the Group for the year ended 31 December 2017.

2. Before the Acquisition, the Group directly owned 75% equity interests in the Target Company. Thus, the accounts of the Target Company were consolidated by the Group and the remaining 25% equity interests were recorded as non-controlling interests.

   The total consideration for the Acquisition was RMB350,000,000 for 25% equity interests of the Target Company.

   Upon completion of the Acquisition, the total consideration of RMB350,000,000 will be first applied to reduce the carrying amount of the non-controlling interests of 25% equity interests. The difference between the carrying amount of the non-controlling interests of 25% equity interests and the consideration of RMB350,000,000 will be recognized in the equity of the Group.

   For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the consideration will be paid by cash and a deduction of RMB350,000,000 in cash and cash equivalents will be recognised to reflect the payment of the consideration.

3. The pro forma adjustment represents the estimated amounts for professional fees and other expenses payable by the Group for the Acquisition.

4. Save as aforesaid, no other adjustments have been made to reflect any trading results or other transactions of the Group or the Target Company entered into subsequent to 31 December 2017.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Wison Engineering Services Co. Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wison Engineering Services Co. Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017, and related notes as set out in Appendix III of the circular (the "**Circular**") dated 28 June 2018 issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 25% equity interest in Wison Engineering Ltd. (the "**Target Company**") (the "**Acquisition**") on the Group's financial position as at 31 December 2017 as if the Acquisition had taken place at 31 December 2017. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2017, on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements issued by the HKICPA, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

28 June 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company, in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were set out as follows:

Name of Director	Capacity	Number of Shares (1)	Approximate % of shareholding
Mr. Zhou Hongliang	Beneficial owner	6,290,000 (L)(2)	0.15%
Mr. Dong Hua	Beneficial owner	5,100,000 (L)(3)	0.13%
Mr. Lawrence Lee	Beneficial owner	1,000,000 (L)(4)	0.02%
Mr. Tang Shisheng	Beneficial owner	1,000,000 (L)(4)	0.02%
Mr. Feng Guohua	Beneficial owner	1,000,000 (L)(4)	0.02%

Notes:

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

(2) These 6,290,000 Shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Zhou Hongliang to subscribe for 3,040,000 Shares.

(3) These 5,100,000 Shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Dong Hua to subscribe for 2,660,000 Shares.

(4) Shares in respect of options granted under the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were set out as follows:

Name of substantial shareholder	Capacity	Number of Shares(1)	Approximate % of shareholding
Wison Investment	Beneficial owner	3,088,782,146 (L)	75.92%
Wison Holding(2)	Interest of controlled corporation	3,088,782,146 (L)	75.92%
Mr. Hua Bangsong(3)	Interest of controlled corporation	3,088,782,146 (L)	75.92%
Ms. Huang Xing(4)	Interest of spouse	3,088,782,146 (L)	75.92%

Notes:

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

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

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

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

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. OTHER INTERESTS OF DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

(a) Interests in service contracts

none of the Directors had or was proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation;

(b) Interests in assets

none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2017, being the date to which the latest published audited consolidated accountants of the Group were made up, been acquired or disposed of by or leased to any member of the Group upon Completion or were proposed to be acquired or disposed of by or leased to, any member of the Group upon Completion; and

(c) Interests in contracts or arrangements

none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group upon Completion, which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group upon Completion taken as a whole.

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, there was no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice, which are contained in this circular:

Name	**Qualification**
Ernst & Young	Certified Public Accountants

Ernst & Young had given and had not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Ernst & Young did not have, nor had had, any direct or indirect interest in any assets which had since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the Cooperation Conditions Transfer Agreement; and

(b) the equity transfer agreement between Wison Energy (HK) and Shanghai Hui He Industrial Development Co., Ltd.* (上海輝翮實業發展有限公司) (an independent third party) dated 28 December 2017 in relation to the disposal of 100% equity interest in Wison Yangzhou.

8. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Luk Wai Mei, a CPA member of Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia, an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands, and the principal place of business in Hong Kong is at Room 5408, 54th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2017;

(c) the accountants' report on the financial information of the Target Company from Ernst & Young as at and for each of the years ended 31 December 2015, 2016 and 2017, the text of which is set out in Appendix II to this circular;

(d) the report from Ernst & Young on the Unaudited Pro Forma Financial Information of the Group upon Completion, the text of which is set out in Appendix III to his circular;

(e) the written consent of Ernst & Young referred to in the paragraph headed "Expert and Consent" in this Appendix IV;

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix IV; and

(g) this circular.