

# **WISON** 惠生工程技術服務有限公司 Wison Engineering Services Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2236

## **GLOBAL OFFERING**



*Joint Sponsors*



*Joint Global Coordinators*



*Joint Bookrunners and Joint Lead Managers*



## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



### 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)

#### GLOBAL OFFERING

Number of Offer Shares in the Global Offering :	600,000,000 Shares, comprising 480,000,000 new Shares and 120,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares :	60,000,000 new Shares (subject to adjustment)
Number of Placing Shares :	540,000,000 Shares, comprising 420,000,000 new Shares and 120,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price :	HK\$3.53 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value :	HK\$0.10 per Share
Stock Code :	2236

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The Offer Price is expected to be fixed by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or about December 19, 2012 and, in any event, not later than December 21, 2012. The Offer Price will be not more than HK\$3.53 per Offer Share and is currently expected to be not less than HK\$2.79 per Offer Share unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK\$3.53 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of the Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed among the Selling Shareholder, us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares is expected to commence on the Stock Exchange. Such grounds are set out in "Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be, registered under the U.S. Securities Act, and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold and delivered to QIBs in reliance on an exemption from the registration requirements under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(3)</sup> .....	11:30 a.m. on Tuesday, December 18, 2012
Application lists open <sup>(2)</sup> .....	11:45 a.m. on Tuesday, December 18, 2012
Latest time to lodge <b>white</b> and <b>yellow</b> application forms .....	12:00 noon on Tuesday, December 18, 2012
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(2)</sup> .....	12:00 noon on Tuesday, December 18, 2012
Latest time to complete payment under <b>White Form eIPO</b> by effecting internet banking transfer(s) or PPS payment transfer(s) . . . .	12:00 noon on Tuesday, December 18, 2012
Application lists close .....	12:00 noon on Tuesday, December 18, 2012
Expected price determination date .....	Wednesday, December 19, 2012
Announcement of:	
• the Offer Price;	
• an indication of the level of interest in the Placing;	
• the level of applications of the Public Offer; and	
• the basis of allocation of the Public Offer Shares	
to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company at <a href="http://www.wison-engineering.com">www.wison-engineering.com</a> on or before .....	Thursday, December 27, 2012
Results of allocations in the Public Offer (with successful applicants’ identification document numbers where appropriate) to be available through a variety of channels (see “How to Apply for Public Offer Shares—Publication of results, dispatch/collection of share certificates and refunds of application monies”) from .....	Thursday, December 27, 2012
Results of allocations in the Public Offer will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a “search by ID” function .....	Thursday, December 27, 2012
Dispatch of share certificates/White Form e-refund payment instructions/refund checks (if applicable) on or before <sup>(4)</sup> .....	Thursday, December 27, 2012
Dealings in Shares on the Stock Exchange expected to commence on .....	9:00 a.m. on Friday, December 28, 2012

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 18, 2012, the application lists will not open on that day. See “How to Apply for Public Offer Shares—When may applications be made—Effects of Bad Weather Conditions on the Opening of the Application Lists”.

(3) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) Notwithstanding the dispatch of share certificates (currently expected to take place on Thursday, December 27, 2012), share certificates will become valid certificates of title only when the Global Offering has become unconditional in all respects, which is scheduled to be at or around 8:00 a.m. on Friday, December 28, 2012.



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### IMPORTANT NOTICE TO INVESTORS

**You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Joint Sponsors, any of their respective directors or any other person or party involved in the Global Offering.**

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## SUMMARY

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**This summary aims to provide you with an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus.**

### OVERVIEW

We were the largest private sector chemical engineering, procurement and construction management, or EPC, service provider in China in terms of revenue for 2011, as estimated by CMAI, an independent industry consultant. In addition, based on the industry rankings compiled by the China Exploration & Design Association, we ranked 17th among all PRC EPC service providers, eighth among all PRC chemical EPC service providers and first among all private sector chemical EPC service providers in the PRC, by 2011 contract revenue.<sup>(1)</sup> The term “chemical EPC service provider” includes companies that provide EPC services to, among others, the petrochemicals, oil refining and coal-to-chemicals conversion processing industries, the three industry segments we principally service. We provide a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sale technical support. Our wide range of services is primarily offered to the following industries:

- **Petrochemicals:** Petrochemical products can broadly be classified into two categories: (i) olefins, including ethylene and propylene; and (ii) aromatics, including benzene, toluene and xylene isomers. These base chemicals can be further processed to manufacture thousands of downstream petrochemical products used in daily life.
- **Oil refineries:** Oil refining is a process where crude oil is processed and refined into more useful petroleum products, which can be grouped into three categories: (i) light distillates, including liquefied petroleum gas, gasoline and naphtha; (ii) middle distillates, including kerosene and diesel; and (iii) heavy distillates and residuum, including heavy fuel oil, lubricating oils, wax and asphalt.
- **Coal-to-chemicals:** Coal-to-chemicals refers to the process of producing chemicals from coal. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. Recently, the focus in China has shifted to coal-to-methanol, methanol-to-olefins (MTO) and methanol-to-propylene (MTP) processes that produce the same chemical products, such as ethylene and propylene, as the petrochemical facilities, due to better cost efficiencies and greater demand for these chemicals.

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*Note:*

(1) We are not aware of any more recent ranking provided by China Exploration & Design Association and we have no reason to believe that the latest ranking is no longer accurate.

## SUMMARY

We also provide EPC and PC services, on an ad hoc basis, to other industries, such as steel and marine engineering projects. Our subsidiary, Wison Yangzhou, manufactures heat-resistant alloy tubes and fittings for the projects we undertake, in addition to supplying third party purchasers, primarily in the petrochemicals industry.

In the provision of our wide range of services described above, our role on a project is typically to act as a “general contractor”. We do not consider ourselves to be a construction firm and we typically sub-contract construction work to specialized construction sub-contractors. Our employees are principally involved in engineering, design implementation, procurement of raw materials and equipment, and supervision of construction. We provide complete solutions based on the EPC service model or a part of it, such as engineering and procurement (EP) or procurement and construction management (PC), corresponding to specific client needs. We also provide PMC services, where we charge a fee for our project management services while our clients assume the cost of procurement and construction.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary financial information from our consolidated statements of comprehensive income for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 set forth below is derived from the Accountants’ Report included in Appendix I and should be read in conjunction with the Accountants’ Report and with “Financial Information” included herein.

#### Summary Consolidated Statements of Comprehensive Income Data

	Years ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<i>(RMB in millions)</i>				
	<i>(unaudited)</i>				
<b>Revenue</b> .....	1,884.4	4,976.2	5,036.6	1,655.2	861.7
Cost of sales .....	(1,325.2)	(3,755.8)	(3,829.9)	(1,287.6)	(677.6)
Gross profit .....	559.2	1,220.4	1,206.7	367.6	184.1
Other income and gains .....	25.1	35.0	30.6	16.1	16.6
Sales and marketing expenses .....	(14.7)	(25.9)	(25.0)	(20.5)	(32.5)
Administrative expenses .....	(120.6)	(158.2)	(124.1)	(81.1)	(66.8)
Other expenses .....	(66.3)	(119.4)	(155.7)	(56.2)	(52.0)
Finance costs .....	(87.6)	(133.7)	(137.9)	(81.8)	(53.0)
Share of profits of an associate .....	0.1	0.4	0.6	0.2	0.1
<b>Profit/(loss) Before Tax</b> .....	295.2	818.6	795.2	144.3	(3.5)
Income tax .....	(65.3)	(182.6)	(205.5)	(35.6)	5.7
<b>Profit After Tax and Total Comprehensive Income for the Year</b> .....	<u>229.9</u>	<u>636.0</u>	<u>589.7</u>	<u>108.7</u>	<u>2.2</u>
Profit and total comprehensive income attributable to:					
Equity holders of the parent .....	206.6	567.7	518.7	95.4	0.3
Non-controlling interests .....	23.3	68.3	71.0	13.3	1.9
	<u>229.9</u>	<u>636.0</u>	<u>589.7</u>	<u>108.7</u>	<u>2.2</u>

Due to the project-based nature of our business, our revenue is subject to periodic variations from year to year and from period to period. Our revenue for the first half of the 2011 calendar year as a percentage of total revenue for the year ended December 31, 2011 was higher than that for each of 2009 and 2010 mainly due to the different number and size of



## SUMMARY

our major projects, and the timing of the principal construction phases of our major projects during the first half of each of the three years ended December 31, 2011. Our revenue for the first half of each calendar year and the periodic variations it evidences are typically influenced by (a) the Chinese New Year holiday and cold winter weather in the PRC, (b) the fact that we may be working on a limited number of projects of a relatively large contract value and (c) the factors stated in “Risk Factors—Risks Relating to Our Business—Our revenue is subject to periodic fluctuations” on page 53 and “Financial Information—Factors Affecting Our Results of Operations and Financial Condition—Business Fluctuations” on page 298. As a result, our first half year and other interim results may not be indicative of our annual results in the same year or first half year or other interim period results in another year.

The following table reconciles our profit before income tax with adjusted EBITDA for each financial year/period indicated:

	Years ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<i>(RMB in millions)</i>				
Profit/(loss) before tax	295.2	818.6	795.2	144.3	(3.5)
Add/(less):				<i>(unaudited)</i>	
Other income and gains <sup>(1)</sup>	(25.1)	(35.0)	(30.6)	(16.1)	(16.6)
Finance costs <sup>(2)</sup>	87.6	133.7	137.9	81.8	53.0
Depreciation and amortization expenses <sup>(3)</sup>	25.7	24.6	24.4	11.9	15.9
Share of profits of an associate <sup>(4)</sup>	(0.1)	(0.4)	(0.6)	(0.2)	(0.1)
<b>Adjusted EBITDA<sup>(5)</sup></b>	<u>383.3</u>	<u>941.5</u>	<u>926.3</u>	<u>221.7</u>	<u>48.7</u>

*Notes:*

- (1) Other income and gains for each financial year/period represent the sum of our other operating income and gains. See Note 6 to the Accountants' Report set out in Appendix I on page I-37.
- (2) Finance costs for each financial year/period represent the sum of our interest expenses. See Note 7 to the Accountants' Report set out in Appendix I on page I-37.
- (3) Depreciation and amortization expenses for each financial year/period represent the sum of our depreciation expenses, amortization of prepaid land lease payments and amortization of intangible assets. See Note 8 to the Accountants' Report set out in Appendix I on page I-38.
- (4) Share of profits of an associate for each financial year/period represent our share of profits of an associate, Henan Chuangsite. See Note 19 to the Accountants' Report set out in Appendix I on page I-49.
- (5) Adjusted EBITDA for any financial year/period is defined as profit for the financial year/period before tax after adding back finance costs, depreciation and amortization expenses, and subtracting other income and gains and share of profits of an associate. Adjusted EBITDA is presented as additional information because we believe that the adjusted EBITDA is a useful measure for certain investors to determine our operating performance. Adjusted EBITDA is not a recognized term under IFRS and should not be considered as an alternative to profit before income tax as an indicator of our operating performance or any other measure of performance derived in accordance with IFRS. Because adjusted EBITDA is not an IFRS measure, adjusted EBITDA may not be comparable to similar measures presented by other companies.

## SUMMARY

### Revenue by Business Segments

We derive a large majority of our revenue from our EPC contracts for ethylene and downstream petrochemicals facilities, coal-to-chemicals facilities and oil refineries. We also derive a small portion of our revenue from sales of heat-resistant alloy pipes and related components to third parties by our subsidiary, Wison Yangzhou, as well as from the provision of EPC services to other industries. The following table sets forth a breakdown of revenue by business segment as a percentage of our total revenue for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	<i>(unaudited)</i>									
	<i>(RMB in millions, except percentages)</i>									
<b>Business Segments:</b>										
Petrochemicals <sup>(1)(2)</sup>	1,386.3	73.6%	2,860.5	57.5%	1,624.2	32.2%	610.9	36.9%	130.1	15.1%
Oil refineries <sup>(3)</sup>	207.3	11.0%	2,050.0	41.2%	2,447.0	48.6%	895.4	54.1%	125.2	14.5%
Coal-to-chemicals <sup>(4)(5)</sup>	210.9	11.2%	28.4	0.6%	949.7	18.9%	139.2	8.4%	520.8	60.5%
Other products and services <sup>(6)(7)</sup>	79.9	4.2%	37.3	0.7%	15.7	0.3%	9.7	0.6%	85.6	9.9%
<b>Total</b>	<b>1,884.4</b>	<b>100.0%</b>	<b>4,976.2</b>	<b>100.0%</b>	<b>5,036.6</b>	<b>100.0%</b>	<b>1,655.2</b>	<b>100.0%</b>	<b>861.7</b>	<b>100.0%</b>

**Notes:**

- (1) Principally comprising EPC solutions for the design-building and renovation of ethylene cracking furnaces and production facilities for downstream petrochemicals.
- (2) Revenue generated in this segment is net of inter-segment sales of RMB32.1 million in the year ended December 31, 2011 and RMB32.9 million in the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.
- (3) Principally comprising PC solutions for the construction of petroleum refineries.
- (4) Principally comprising EPC solutions for the construction of coal-to-chemicals production facilities.
- (5) Revenue generated in this segment is net of inter-segment sales of RMB0.5 million in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.
- (6) Principally comprising integrated piping systems manufactured by Wison Yangzhou and EPC services to other industries.
- (7) Revenue generated in this segment is net of inter-segment sales, which have been substantial for this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Revenue in this segment inclusive of such inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB138.8 million, RMB129.3 million and RMB18.0 million, respectively, and RMB10.2 million in the six months ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, revenue in our petrochemicals business segment fluctuated depending on the number and size of projects undertaken and the principal construction phases of the projects undertaken at the time. Revenue in our oil refineries business segment began to grow significantly in 2010 and revenue in our coal-to-chemicals business segment began to grow significantly in 2011, reflecting our increased presence in these business segments. The growth in each of our business segments occasionally experiences setbacks when a major project in that business segment completes its principal construction phase, when most of its construction activities occur, and where we recognize a significant portion of the revenue for the project. See “—Principal Construction Phases” on page 7 for the timing of principal construction phases of our major projects and “Financial Information—Results of Operations” beginning on page 314 for more detailed descriptions of how the principal construction phases of our major projects affected our revenue during the three years ended December 31, 2011 and the six months ended June 30, 2012. Specifically, in petrochemicals, our revenue decreased in 2011 compared to 2010 when Project 17 (PetroChina Fushun Ethylene Plant Project) completed its principal construction phase on December 31, 2010. As

## SUMMARY

a result, we had fewer major projects that were in their principal construction phase in 2011 than 2010. Revenue in our petrochemicals and oil refineries business segments also decreased in the six months ended June 30, 2012 compared to in the six months ended June 30, 2011, as projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which includes projects in both our petrochemicals and oil refineries business segments, completed their principal construction phases on December 31, 2011, as a result of which we had fewer projects in their principal construction phases in the six months ended June 30, 2012, than in the six months ended June 30, 2011.

### Gross Profit and Gross Profit Margin by Business Segments

The following table provides information regarding our gross profit and gross profit margin for each of our business segments in the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%
<i>(unaudited)</i>										
<i>(RMB in millions, except percentages)</i>										
<b>Business Segments:</b>										
Petrochemicals . . . . .	396.4	28.6%	752.7	26.3%	408.9	25.2%	129.8	21.2%	21.1	16.2%
Oil refineries . . . . .	47.4	22.9%	431.9	21.1%	556.0	22.7%	195.6	21.8%	17.5	14.0%
Coal-to-chemicals . . . . .	90.5	42.9%	21.7	76.4%	240.3	25.3%	41.1	29.5%	133.7	25.7%
Other products and services . . . . .	24.9	31.2%	14.1	37.8%	1.5	9.6%	1.1	11.3%	11.8	13.8%
<b>Total</b> . . . . .	<u>559.2</u>	<u>29.7%</u>	<u>1,220.4</u>	<u>24.5%</u>	<u>1,206.7</u>	<u>24.0%</u>	<u>367.6</u>	<u>22.2%</u>	<u>184.1</u>	<u>21.4%</u>

Note: See footnotes beginning on page 305 for further details.

Within each business segment, while petrochemicals and oil refineries had relatively stable gross profit margins during the three years ended December 31, 2011, our coal-to-chemicals business segment experienced volatility in its gross profit margins during the same periods, principally due to the limited number of major projects we undertook during the relevant periods and a wide range of profit margins for the different services we provided. See “Risk Factors — Risks Relating to Our Business — We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment” for more details.



## SUMMARY

### Key Financial Ratios

The following table sets forth, for the periods indicated, certain key financial ratios.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Gross profit margins <sup>(1)</sup> .....	29.7%	24.5%	24.0%	21.4%
Net profit margins .....	12.2%	12.8%	11.7%	0.3%
Inventory turnover days <sup>(2)</sup> .....	16	8	8	14
Trade receivables turnover days <sup>(3)</sup> .....	86	53	35	34
Trade payables turnover days <sup>(4)</sup> .....	115	79	121	390

*Notes:*

- (1) See “Financial Information — Results of Operations — Gross Profit and Gross Profit Margin” beginning on page 317 for commentary on the fluctuation of gross profit margins.
- (2) Inventory turnover days are derived by dividing the arithmetic mean of the beginning and ending inventory balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See “Financial Information — Liquidity and Capital Resources — Inventory Level and Turnover Days” beginning on page 331 for commentary on the fluctuation of inventory turnover days.
- (3) Trade receivables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade receivables balances for the relevant period by total revenue, and multiplying by the number of days in the period. See “Financial Information — Liquidity and Capital Resources — Trade Receivables Level and Turnover Days” beginning on page 333 for commentary on the fluctuation of trade receivables turnover days.
- (4) Trade payables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade payables balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See “Financial Information — Liquidity and Capital Resources — Trade Payables Level and Turnover Days” beginning on page 341 for commentary on the fluctuation of trade payables turnover days.

Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. In particular, the manner in which we recognize revenue and cost in a construction contract is typically measured by reference to the percentage of completion of the relevant project, which may not closely correspond to the cash flows we receive, which are driven by the terms of our contracts and the payment practices of our clients. A typical engineering and construction contract includes a schedule of progress billings, according to which we send progress billings for clients’ confirmation based on the agreed payment schedules or milestones as stipulated in the contract. Once confirmed by a client, the confirmed amount will become an account receivable until payment is made by the client. As such, progress billings are not directly related to the percentage of completion, the basis of our revenue recognition. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers, until the progress billings are issued to and confirmed by the relevant clients in accordance with the billing milestones specified in the contract, at which point the relevant amounts migrate to trade and bills receivables. We typically issue progress billings for our clients to confirm after we reach a billing milestone and they generally take approximately 30 to 60 days to review and confirm the progress billings. As a result, immediately after a project’s principal construction phase, when our recognized revenue typically exceeds our progress billing, we tend to experience high levels of amounts due from contract customers. Amounts due from a contract customer may not be matched by cash flow until the project is completed and the warranty period, which on average is about 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production, has expired. See “Financial Information —

## SUMMARY

Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition” beginning on page 295 and “— Liquidity and Capital Resources — Gross Amounts Due from Contract Customers” beginning on page 336 for further details.

### Principal Construction Phases

During the three years ended December 31, 2011 and the six months ended June 30, 2012, six major project groups had the most significant effect on our results of operations. See “Business—Business Segments—Table of Our Major Projects” beginning on page 184 for a more detailed description of the projects referenced below.

#### Periods of Principal Construction Phases<sup>(1)</sup>

Project Group	Business Segments	For the six months ended					
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
(1) Project 17 (PetroChina Fushun Ethylene Plant Project)	Petrochemicals	-----					
(2) Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project)	Petrochemicals	-----					
(3) Project 16 (Huizhou CSPC Ethylene Cracking Furnace Project)	Petrochemicals	-----					
(4) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petrochemicals	-----					
(5) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:		-----					
• Project 20 (PetroChina Sichuan LLDPE Plant Project)	Petrochemicals	-----					
• Project 21 (PetroChina Sichuan Ethylene Plant Project)	Petrochemicals	-----					
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project)	Oil Refineries	-----					
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project)	Oil Refineries	-----					
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project)	Oil Refineries	-----					
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project)	Oil Refineries	-----					
(6) Project 46 (Baoji Methanol Project)	Coal-to-Chemicals	-----					

**Note:**

- (1) A project generally enters its principal construction phase when heavy equipment and machinery that have long production lead times have been delivered on site; and the principal construction phase is completed when most of the raw materials have been consumed and the heavy equipment and machinery have been installed or constructed.

## SUMMARY

### Backlog

The following table sets forth, net of estimated VAT, our backlog at the end of the periods indicated.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	<i>(unaudited, RMB in millions)</i>			
<b>Backlog at the end of the period:</b>				
Petrochemicals .....	3,606.5	1,413.3	5,376.0	5,630.2
Oil refineries .....	4,705.2	2,642.3	161.6	5,964.4
Coal-to-chemicals .....	78.0	53.1	5,953.3	16,566.5
Other products and services .....	—	—	—	1,082.4
<b>Total</b> .....	<u>8,389.7</u>	<u>4,108.7</u>	<u>11,490.9</u>	<u>29,243.5</u>

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT. Backlog is not an audited measure defined by IFRS and our methodology in determining backlog may not be comparable to the methodology used by other companies. Backlog might not be indicative of our future operating results and difficulties in contract performance could lead to inaccuracies with respect to the ultimate income from uncompleted contracts. Our backlog information presented in this prospectus should not be relied on as an indicator of our future earnings. See “Risk Factors—Risks Relating to Our Business—Projected revenue amounts reported in our backlog could fail to result in actual revenue or translate into profits” beginning on page 54 for further details.

Of the RMB29,243.5 million of our Group’s total backlog and the RMB16,566.5 million of our backlog in the coal-to-chemicals business segment as of June 30, 2012, RMB10,473.1 million, or 35.8% and 63.2% respectively, was attributable to Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)), our largest project by contract value as of the Latest Practicable Date, which was based on a cost plus pricing model. In general, cost plus contracts transfer the risks of fluctuating raw materials and equipment prices and subcontracting fees to the project owners and thus limit the risk of gross profit margin volatility. As project owners take into account this shifting of risk, gross profit margins for our cost plus contracts tend to be lower than gross profit margins for our fixed price contracts. See “—Pricing and Risk Management” beginning on page 11 and “Business—Pricing and Risk Management” beginning on page 210 for more details.



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## SUMMARY

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### RECENT DEVELOPMENTS

The following table sets forth certain of our unaudited financial information for the eight months ended August 31, 2012 as extracted by us from the unaudited condensed consolidated interim financial statements of our Group for the eight months ended August 31, 2012 (the “August 2012 Financial Statements”). Our Directors are responsible for the preparation and fair presentation of our August 2012 Financial Statements in accordance with the International Accounting Standard 34 “*Interim Financial Reporting*”. Our August 2012 Financial Statements are unaudited but have been reviewed by our reporting accountants, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410 “*Review on Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA.

	<u>Eight months ended</u> <u>August 31, 2012</u> <i>(unaudited, RMB in millions, except percentage)</i>
<b>Revenue by business segments:</b>	
Petrochemicals .....	194.0
Oil refineries .....	156.8
Coal-to-chemicals .....	1,064.5
Other products and services .....	<u>224.7</u>
<b>Total Revenue</b> .....	<u>1,640.0</u>
<b>Gross Profit</b> .....	359.0
<b>Gross Profit Margin</b> .....	21.9%

Our Directors confirm that except as otherwise disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012 and no event has occurred since June 30, 2012 that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I. See “Financial Information—Recent Developments” beginning on page 288 for more detailed descriptions of our financial position and the new projects that have been awarded to us since June 30, 2012.

Our unaudited backlog, which represents our estimate of contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT, as of August 31, 2012, was RMB29,904.1 million, of which backlog in our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments was RMB5,583.6 million, RMB5,931.7 million, RMB17,300.6 million and RMB1,088.2 million, respectively, compared to RMB5,630.2 million, RMB5,964.4 million, RMB16,566.5 million and RMB1,082.4 million as of June 30, 2012.

The unaudited total new contract value, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012 was RMB20,053.0 million.

We had unaudited net current liabilities of RMB93.3 million as of October 31, 2012. See “Financial Information—Liquidity and Capital Resources” beginning on page 329 for further details and see “Risk Factors—Risks Relating to Our Business—We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs” beginning on page 53 and “—We

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## SUMMARY

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recorded net current liabilities as of June 30, 2012 and October 31, 2012 and we cannot assure you that we will not have net current liabilities in the future” on page 57 for relevant risks.

Our business and financial results have been subject to volatility during the three years ended December 31, 2011 and the six months ended June 30, 2012, compounded in part, by the nature of our business which consists, at any time, of a limited number of projects governed by contracts each of which may have a relatively large contract value and due to the scheduling of the principal construction phases of the major projects. Other factors such as timing of receipt of government approvals, project owners’ plans as to the commencement date of projects, weather conditions, changes in project scope and industry competition are beyond, or partially beyond, the scope of our control and may affect the progress of our projects, our revenue recognition and our financial margins from time to time. See, for example, “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Business Fluctuations” on page 298 and “— Limited Number of Large Projects” beginning on page 294 and “Risk Factors — Risks Relating to Our Business — We do not have full control over the commencement time and various milestones of a construction project, which could delay our receipt of revenue and completion of our projects” on page 55 and “— We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment” beginning on page 47. During recent periods subsequent to June 30, 2012, we have experienced progress delays in relation to two of our major projects, caused by unexpected bad weather and longer than expected time in obtaining financing on the part of the project owner. In addition, several new projects for which we anticipate signing have not materialized as quickly as we originally expected due to prolonged approval processes by the government and the project owner. **The occurrence of these unanticipated factors subsequent to June 30, 2012 can be expected to affect our revenue and profitability in the near term.** However, we have no reason to believe that there has been any event subsequent to June 30, 2012 that would cause any material adverse change in our business and operations going forward.

Our expenses related to the Listing during the three years ended December 31, 2011 and the six months ended June 30, 2012 amounted to approximately RMB33.0 million in aggregate. Subsequent to June 30, 2012 and up to August 31, 2012, our listing related expenses incurred were approximately RMB5.5 million and our further listing related expenses (excluding underwriting commission) to be incurred are expected to be approximately RMB34.8 million for the four months ending December 31, 2012.

See “Financial Information — Recent Developments” beginning on page 288 for further details.

## OUR CLIENTS AND POTENTIAL COMPETITORS

The PRC petrochemicals and oil refining industries are dominated by a small number of large state-owned oil companies, such as PetroChina and Sinopec, and their respective subsidiaries, including engineering subsidiaries that could be our competitors and subsidiaries that could be our construction sub-contractors. We rely heavily on these companies’ demand for our solutions and our business, results of operations and financial condition are affected by our clients’ capital expenditures on designing, building and renovating ethylene and

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## SUMMARY

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downstream petrochemicals production facilities and oil refineries. We have over nine years and ten years of business relationship with PetroChina and Sinopec, respectively. Our revenue derived from our largest client, PetroChina and its subsidiaries, amounted to RMB1,188.9 million, RMB3,985.0 million, RMB2,941.6 million and RMB120.6 million, or approximately 63.1%, 80.1%, 58.4% and 14.0% of our total revenue, during the three years ended December 31, 2011 and the six months ended June 30, 2012. Revenue derived from Sinopec and its subsidiaries, amounted to RMB182.7 million, RMB98.0 million, RMB57.0 million and RMB11.7 million, or approximately 9.7%, 2.0%, 1.1% and 1.4% of our total revenue, during the three years ended December 31, 2011 and the six months ended June 30, 2012, as the engineering subsidiaries of Sinopec developed their own engineering skills and competed with us for EPC contracts from Sinopec and its subsidiaries.

### OUR SUPPLIERS AND CONSTRUCTION SUB-CONTRACTORS

We procure raw materials, parts and equipment that include stainless steel, copper alloy materials, valves and industrial meters for our projects. We sub-contract all construction and installation work to experienced and specialized construction companies with Grade I Overall Contracting Qualification. While project owners may participate in the process of selecting sub-contractors, as the EPC contractor, it is our responsibility to hire all sub-contractors. See “Business — Procurement of Raw Materials and Equipment Suppliers” beginning on page 206 and “Business — Business Operations — Engineering, Procurement, Construction Management and Other Services — Construction Phase — Sub-contracting Arrangements” beginning on page 180 for further details.

### PRICING AND RISK MANAGEMENT

The vast majority of our revenue was derived from “fixed price” contracts during the three years ended December 31, 2011 and the six months ended June 30, 2012. Given the nature of fixed price contracts, we are subject to the risks of fluctuating raw materials and equipment prices and sub-contracting fees. See “Risk Factors — Risks Relating to Our Business — Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns” beginning on page 45 for more details. We have undertaken a variety of measures to limit our exposure to such risks. See “Business — Pricing and Risk Management — Risk Management Strategies — Fixed price contracts” beginning on page 212 for more details.

From time to time, we may enter into contracts based on non-fixed pricing models, where, for example, we charge our actual cost for the project plus a margin as negotiated and agreed by the project owners (“cost plus” pricing), according to the specifications of our clients. In general, cost plus contracts transfer the risks of fluctuating raw materials and equipment prices and sub-contracting fees to the project owners and thus limit the risk to us of gross profit margin volatility. However, gross profit margins for our cost plus contracts are normally lower than gross profit margins for our fixed price contracts to take into account this shifting of risk. It is generally the project owners, and not the service providers such as us, who determine (and set out in the bidding documents) whether a contract is fixed price or cost plus.

Procurement management is very important to our business model as most of our contracts during the three years ended December 31, 2011 and the six months ended



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## SUMMARY

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June 30, 2012 were fixed price contracts and included procurement management within the services provided. As such, for the projects where we provide procurement management services, we utilize a material control and procurement management system to closely monitor and control raw materials, parts and equipment supply, delivery schedules and allocation to better suit the purchase plan and delivery schedule to the needs of the project. See “Business — Procurement Management and Inventory Control” beginning on page 207 for more details.

### OUR KEY STRENGTHS

We believe that our success and future prospects are built upon and reinforced by the following key strengths:

- Largest private sector chemical EPC service provider in China;
- Well-recognized and acknowledged project execution capability;
- Strong technology innovation capability;
- Established network and close relationships with raw materials and equipment suppliers and construction sub-contractors; and
- An experienced and established management team and dedicated industry experts with proven track record.

### OUR BUSINESS STRATEGIES

Our primary focus is to selectively diversify our geographic focus and client base, while at the same time continue to strengthen our position in the PRC as a leading private sector EPC service provider to the petrochemicals industry and to expand our oil refineries and coal-to-chemicals EPC businesses. To achieve our goals, we intend to continue to improve our products, expand our business segments and services and pursue the following strategies:

- Continue to focus on research and development activities to strengthen our design and engineering capability;
- Consolidate and further strengthen our EPC leadership position in China’s petrochemicals industry;
- Enhance our presence in the oil refining and coal-to-chemicals industries;
- Actively develop our presence in the international markets; and
- Continue to attract and retain top talent in the industry.

### OUR PLANS

Applying our experience in China’s petrochemicals EPC service industry, we aim to capture a significant share of China’s oil refinery and coal-to-chemicals EPC service industries as they develop. CMAI estimates that US\$65.0 billion to US\$80.0 billion will be

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## SUMMARY

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invested in the construction of oil refineries in China from 2012 to 2016, with an additional US\$75.0 billion to US\$85.0 billion investment expected from 2016 to 2021. China's coal-to-chemicals industry is more fragmented than the petrochemicals and oil refining industries and comprises several privately-owned businesses that we believe to have more limited project experience and resources, as well as several state-owned enterprises. As such, we anticipate China's coal-to-chemicals producers will look to EPC service providers with a broad range of service capabilities across the engineering, procurement and construction management spectrum. A number of plans and investment initiatives have been announced by government authorities in the coal-to-olefins sector in China. CMAI estimates that up to ten of these announced programs are potentially viable and could go forward between 2012 and 2016. The total cost for these ten projects is estimated by CMAI to be between US\$30.0 billion and US\$35.0 billion.

We believe our ability to provide turnkey services in market research, feasibility studies, project development, staff training, design, engineering, procurement, construction management, maintenance and after-sale technical support will help us generate greater client interest that could lead to further work in the PRC coal-to-chemicals industry, diversify our sources of revenue and reduce our dependency on the PRC state-owned oil companies. We believe our extensive project management experience accumulated in successfully completing several large projects, our proprietary technologies, established network and close relationships with raw materials and equipment suppliers and sub-contractors, combined with our experience and EPC service capabilities achieved by working on projects in China managed by international operators, such as BASF and Shell, can also be extended to projects outside of China.

## GLOBAL OFFERING STATISTICS

	<b>Based on an indicative Offer Price of HK\$2.79 per Share</b>	<b>Based on an indicative Offer Price of HK\$3.53 per Share</b>
Market capitalization of the Shares (in millions) <sup>(1)</sup> . . . . .	HK\$11,160	HK\$14,120
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup> . . . . .	HK\$ 0.41	HK\$ 0.50

*Notes:*

- (1) The calculation of the market capitalization of the Shares is based on the assumption that 4,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information" and on the basis that 4,000,000,000 Shares will be in issue immediately following the completion of the Global Offering.

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## SUMMARY

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### USE OF PROCEEDS

Assuming an Offer Price of HK\$3.16 per Share (being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Share), the net proceeds of the Global Offering attributable to us, after deduction of the underwriting fees, commissions and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$1,360.2 million (assuming the Over-allotment Option is not exercised). At present, we intend to apply such net proceeds as follows:

<u>Amount (HK\$ in millions)</u>	<u>Percentage of the total estimated net proceeds</u>	<u>Intended use of the net proceeds</u>
797.3 .....	58.6%	Construction and establishment of a national research and development center in Shanghai and an engineering, research and development center in Beijing. For more information about our planned research and development center in Shanghai, see “Business—Research and Development—Research and Development Centers” beginning on page 224
345.5 .....	25.4%	Research and development of proprietary technologies, including syngas-to-ethanol processes
133.6 .....	9.8%	Expansion of our engineering capability in selected cities in the PRC, see “Business—Research and Development—Design and Engineering Centers” on page 225 for additional disclosure on our planned expansion of engineering capability
83.8 .....	6.2%	Working capital and general corporate purposes, including the anticipated increases in our working capital needs to support our international expansion

We estimate that our Selling Shareholder will receive net proceeds of approximately HK\$362.1 million (assuming an Offer Price of HK\$3.16 per Share, being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Share) after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in relation to the Global Offering and assuming the Over-allotment Option is not exercised. We will not receive any of the net proceeds of the Global Offering from the sale of Shares by the Selling Shareholder.

For more details, see “Future Plans and Use of Proceeds” beginning on page 362.

### DIVIDEND AND DISTRIBUTION POLICY

For the year ending December 31, 2012, our Directors currently do not intend to declare any dividend. We will evaluate our distribution policy and distributions made (by way of dividend or otherwise) in any particular year in light of our financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The payment of distributions may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Our historical payment of dividends may not be indicative of future dividends paid by our Group, if at all. There can be no assurance that we will be able to declare or distribute any dividends set out in any plan of

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## SUMMARY

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our Board or at all. See “Financial Information—Dividend Policy” beginning on page 360 for further details.

### **OUR MAJOR OPERATING SUBSIDIARY**

Wison Engineering, our major operating subsidiary, is a Sino-foreign cooperative joint venture that is indirectly 75% owned by us and 25% owned by Jiangsu Xinhua. We have adopted the Sino-foreign co-operative joint venture construction enterprise structure for Wison Engineering to allow us to undertake a wider range of construction projects than if it were a wholly-foreign owned construction enterprise. See “Summary of PRC Laws and Regulations—Foreign Investment Construction Enterprises” for further details of the different types of construction projects foreign invested enterprises can undertake. In order to safeguard our management and control over Wison Engineering, we have: (i) procured an undertaking from Mr. Han Jianyu, Jiangsu Xinhua’s sole shareholder, and Jiangsu Xinhua pursuant to which certain irrevocable and unconditional undertakings were given to us; and (ii) taken steps to entrench the principles set forth in the said undertaking into the Sino-foreign cooperative joint venture contract and the articles of association of Wison Engineering. See “History, Reorganization and Group Structure—History and Reorganization—Corporate Development” beginning on page 139 for further details.

### **OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTORS**

#### **Controlling Shareholders**

Mr. Hua, our founder and Chairman, Wison Holding and Wison Investment are our Controlling Shareholders and our Company will be held as to approximately 79.39% by Wison Investment immediately following the completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment, without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme or under the Share Option Scheme. See “History, Reorganization and Group Structure” beginning on page 139 and “Controlling Shareholders and Substantial Shareholders” beginning on page 274 for further details.

#### **Pre-IPO Investors**

The Bonds were issued by Wison Holding to the Pre-IPO Investors on July 6, 2011. Wison Holding entered into agreements with Huadian on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse and UOB on June 4, 2012 to redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse and UOB. On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders. See “History, Reorganization and Group Structure” beginning on page 139, “Controlling Shareholders and Substantial Shareholders” beginning on page 274 and “Appendix IV—Summary of Pre-IPO Investment” beginning on page IV-1 for further details.

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### **RISK FACTORS**

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering. Potential investors in the Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with an investment in us. For more details of the risks involved, please see “Risk Factors” beginning on page 44.



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## DEFINITIONS

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“Application Form(s)”	white Application Form(s), yellow Application Form(s) and green Application Form(s) or, where the context so requires, any one of them which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on November 30, 2012 and as amended from time to time, a summary of which is set out in Appendix V
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Audit Committee”	the audit committee of our Company
“BASF”	BASF SE, a chemical company headquartered in Germany
“Board”	our board of Directors
“BOCOM”	BOCOM International Holdings Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Bank of Communications Co., Ltd. (交通銀行股份有限公司), whose H shares are listed on the Main Board (stock code: 3328). BOCOM is principally engaged in investment holding, proprietary trading, and direct investments. BOCOM’s subsidiaries include, among others, BOCOM International (Asia) Limited, BOCOM International Securities Limited and BOCOM International Asset Management Limited. These subsidiaries are principally engaged in investment banking, securities brokerage and asset management business, respectively
“BOCOM Asia”	BOCOM International (Asia) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“BOCOM Credit Lines”	the credit lines granted by BOCOM Offshore Banking Unit, as more fully described in “Financial Information—Indebtedness, Contractual Obligations and Other Off-Balance Sheet Arrangements—U.S. dollar-denominated debt—Working capital credit line”
“BOCOM Offshore Banking Unit”	the offshore banking unit of Bank of Communications Co., Ltd. (交通銀行股份有限公司)
“BOCOM Securities”	BOCOM International Securities Limited, a licensed corporation registered under the SFO to carry on

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## DEFINITIONS

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	Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“Bonds”	the exchangeable bonds issued by Wison Holding to the Pre-IPO Investors on July 6, 2011 pursuant to the Subscription Agreements, details of which are set out in “Appendix IV—Summary of Pre-IPO Investment”
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 3,519,990,000 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in “Appendix VI—Statutory and General Information—Further information about our Company”
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who could be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEIF”	WLR China Energy Infrastructure Fund L.P., an investment fund established in the Cayman Islands as an exempted limited partnership whose primary objective is to generate capital appreciation and yield, through equity-related investments in energy infrastructure and related businesses such as clean

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## DEFINITIONS

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	and renewable energy, clean energy technology, energy distribution and services primarily located in China whose general partner is CEIF General Partner, and is an Independent Third Party
“CEIF General Partner”	WLR China Energy Associates, Ltd., a Cayman Islands exempted company wholly owned by Invesco WLR Private Equity Investment Management Limited, which is the general partner of CEIF, and is responsible for the management of the operations of CEIF, and is an Independent Third Party
“China” or “PRC”	the People’s Republic of China which, for the purpose of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Citi”	Citigroup Global Markets Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
“Class I Design Qualification”	Class One Chemical Engineering Petrochemical and Pharmaceutical Industry Design Qualification (organic chemical and petrochemical engineering) (化工石化醫藥行業甲級資質(有機化工、石油化工工程設計)), a qualification certified by the Ministry of Construction
“CMAI”	CMAI (Shanghai) Limited, an independent industry consultant, with whom we have commissioned an industry report that forms the basis of “Industry Overview”
“CNOOC”	China National Offshore Oil Corporation (中國海洋石油總公司), a state-owned enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, and an Independent Third Party
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), formerly known as Wison Energy Services Co. Ltd. (惠生能源技術服務有限公司), an exempted company incorporated with limited liability in the Cayman Islands on June 30, 2004
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules

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“contract value”	the contract value of a project represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms and except as otherwise indicated, contract value is inclusive of estimated VAT payable. Where a contract contains an incentive payment provision, contract value includes all, some or none of the incentive payment amount, depending on our assessment of the likelihood of obtaining the incentive payment
“Controlling Shareholder(s)”	Mr. Hua, Wison Holding and Wison Investment
“Credit Suisse”	Credit Suisse AG, Singapore Branch, a provider of wide-ranging financial services in Europe and other selected markets. It offers investment products, private banking and financial advisory services for private and corporate clients
“CSCF”	CITIC Securities Corporate Finance (HK) Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“CSPC”	CNOOC and Shell Petrochemicals Company Limited (中海殼牌石油化工有限公司), a joint venture of Shell Nanhai B.V., a member of Shell and CNOOC Petrochemicals Investment Limited and an Independent Third Party
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax payable under the Old EIT Law prior to January 1, 2008 and under the New EIT Law from January 1, 2008 onwards
“Euro” or “€”	Euro, the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty of Lisbon amending the

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	treaty on European Union and the Treaty establishing the European Community (signed on December 13, 2007)
“European Union” or “EU”	an economic and political union of 27 member states which are located primarily in Europe
“Facility Agreement”	the facility agreement that provides a US\$100.0 million loan facility funded by BOCOM, Credit Suisse and UOB to Wison Investment
“Feixl”	Feixl Inc., a company incorporated in the BVI with limited liability on June 2, 2011 which is 50% owned by Qiu Fei and 50% owned by Pan Xiaoli, both of whom are Independent Third Parties
“FIE”	foreign investment enterprise established in the PRC under the laws of the PRC
“Framework Agreement”	a framework agreement entered into between Wison Engineering and Jiangsu Xinhua dated April 25, 2012 which sets out the principal terms and conditions under which Wison Engineering will purchase anchor, refractory support plunge hook and other ancillary accessories for its cracking furnaces and chemical engineering tower from Jiangsu Xinhua, further details of which are set out under “Connected Transactions”
“GDP”	gross domestic product
“Global Offering”	the Public Offer and the Placing
“Gold Prosperity”	Gold Prosperity Investments Limited, a company incorporated in the BVI with limited liability on May 30, 2011 which is a wholly owned subsidiary of BOCOM International China Fund L.P., whose general partner is BOCOM International China Fund G.P., a wholly owned subsidiary of BOCOM International Holdings Company Limited, which in turn is a wholly owned subsidiary of Bank of Communications Co., Ltd., and is an Independent Third Party
“Grade I Overall Contracting Qualification”	Overall Contracting Qualification—Grade One for Petrochemical Project Construction (only for ethylene plant) (化工石油工程施工總承包壹級資質 (限石化乙烯)), a qualification certified by the Ministry of Construction
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited



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“Group” or “we” or “us” or “our Group”	our Company and our subsidiaries at the relevant point in time (including, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company)
“Group Company”	a company within our Group
“Hao Peng”	Hao Peng Limited (豪鵬有限公司), a company incorporated in the BVI with limited liability on October 29, 2010 which is owned as to 20% by Zhang Fengying, as to 20% by Wang Gengyu and as to 60% by Huada Investment Limited, which in turn is wholly owned by Cheung Wing Hon, all of whom are Independent Third Parties
“Henan Chuangsite”	Henan Chuangsite Supervisory Consulting Co., Ltd. (河南創思特工程監理諮詢有限公司), a company incorporated in the PRC on August 12, 1997 which is owned as to 30% by Wison Engineering, an indirect non-wholly owned subsidiary of our Company, and 70% by ten individuals, all of whom are Independent Third Parties
“Henan Design Institute”	Henan Chemical Industry Design Institute Co. Ltd. (河南省化工設計院有限公司), an entity established in the PRC in 1958 and converted into a limited liability company in 2005 which subsequently became a branch of Wison Engineering on November 26, 2007 after being acquired by Wison Engineering by way of merger by absorption
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Holders”	the holders of the Bonds
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Huadian”	China Huadian Hongkong Company Limited (中國華電香港有限公司), a company incorporated under the laws of Hong Kong with limited liability on June 14, 2006 which is a wholly owned subsidiary of China Huadian Corporation (中國華電集團公司), a wholly state-owned enterprise established in the PRC and

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	one of the five largest state-owned power generation enterprises in the PRC, and is an Independent Third Party
“Huaneng Invesco WLR”	Huaneng Invesco WLR (Wison) Investment Company Limited (華能景順羅斯(惠生)投資有限公司), a company incorporated under the laws of Hong Kong with limited liability on December 1, 2010 which is wholly owned by CEIF, and is an Independent Third Party
“Huanqiu”	China Huanqiu Contracting and Engineering Corporation (中石油中國寰球工程公司), a subsidiary of PetroChina and an Independent Third Party
“Independent Third Party(ies)”	an individual or a company who is independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
“International Placing Agreement”	the conditional placing and underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, the Selling Shareholder, our Company, Wison Holding and the Placing Underwriters
“Jiangsu Xinhua”	Jiangsu Xinhua Chemical Engineering Co., Ltd. (江蘇新華化工機械有限公司), a company with limited liability with its current name established under the laws of the PRC on June 26, 2002 and is a connected person of our Company by virtue of being a substantial shareholder of Wison Engineering, holding 25% of its registered capital (but entitled to 10% of its distributable profits), the business scope of which includes the manufacturing and sale of chemical machinery equipment and its ancillary products as well as heatproof stainless steel products, the sale of components for petrochemical machinery, and the provision of promotional services for application of advanced and practical technology
“Joint Bookrunners” and “Joint Lead Managers”	Citi, Deutsche Bank, BOCOM Securities, UBS and CSCF
“Joint Global Coordinators”	Citi, Deutsche Bank and BOCOM Securities
“Joint Sponsors”	Citi, Deutsche Bank and BOCOM Asia

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“Latest Practicable Date”	December 3, 2012, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Leased Properties”	means specified parts of 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC
“Leases”	the leases in respect of the Leased Properties entered into between our Group and our connected persons and/or associates of our connected persons, further details of which are set out under “Connected Transactions”
“Lenders”	the lenders under the Facility Agreement, namely BOCOM, Credit Suisse and UOB
“LIBOR”	London interbank offered rate
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	the date on which dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company
“Ministry of Construction”	the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of the PRC (中華人民共和國建設部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Hua”	Mr. Hua Bangsong (華邦嵩), an executive Director and the Chairman of our Company

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“Nanjing Ruigu”	Nanjing Ruigu Chemical Engineering Co., Ltd. (南京瑞固化工有限公司), a company established in the PRC with limited liability on September 27, 2006, which was wholly owned by Wison Nanjing, and was de-registered and merged into Wison Nanjing on November 30, 2011, and was a connected person of our Company by virtue of being an indirect subsidiary of Wison Holding
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the National People’s Congress on March 16, 2007, which became effective on January 1, 2008
“Nomination Committee”	the nomination committee of our Company
“Obligors”	Wison Holding, Wison Investment, our Company, Wison Technology, Wison Energy (HK), Wison Singapore, Wison Offshore & Marine and Wison Chemical
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Old EIT Law”	the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) promulgated by the National People’s Congress on April 9, 1991, which became effective on July 1, 1991 and was abolished on January 1, 2008
“OPEC”	the Organization of Petroleum Exporting Countries, an international organization of 11 oil producing countries
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters, exercisable by the Joint Bookrunners, under the International Placing Agreement pursuant to which our Company could be

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	required to issue and allot up to 90,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the Placing
“Over-allotment Shares”	up to 90,000,000 Shares (representing up to 15% of the initial Offer Shares) which may be issued and allotted by our Company at the Offer Price pursuant to the Over-allotment Option
“Overseas Contracting Qualification”	Overseas Projects Contracting Operational Qualification (對外承包工程經營資格證書), a qualification certified by MOFCOM
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock limited company established in the PRC, the shares of which are listed on the Main Board and the depositary receipts of which are listed on the New York Stock Exchange, and an Independent Third Party
“PetroChina Dalian”	PetroChina Company Limited Dalian Petrochemical Company (中國石油天然氣股份有限公司大連石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Daqing”	PetroChina Company Limited Daqing Petrochemical Company (中國石油天然氣股份有限公司大慶石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Dushanzi”	PetroChina Company Limited Dushanzi Petrochemical Company (中國石油天然氣股份有限公司獨山子石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Fushun”	PetroChina Company Limited Fushun Petrochemical Company (中國石油天然氣股份有限公司撫順石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Guangxi”	PetroChina Company Limited Guangxi Petrochemical Company (中國石油天然氣股份有限公司廣西石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Jilin”	PetroChina Company Limited Jilin Petrochemical Company (中國石油天然氣股份有限公司吉林石化分公司), a branch of PetroChina, and an Independent Third Party



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“PetroChina Lanzhou”	PetroChina Company Limited Lanzhou Petrochemical Company (中國石油天然氣股份有限公司蘭州石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Liaoyang”	PetroChina Company Limited Liaoyang Petrochemical Company (中國石油天然氣股份有限公司遼陽石化分公司), a branch of PetroChina, and an Independent Third Party
“PetroChina Sichuan”	PetroChina Sichuan Petrochemical Co., Ltd. (中國石油四川石化有限責任公司), a subsidiary of PetroChina, and an Independent Third Party
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in “Structure of the Global Offering” on and subject to the terms and conditions stated herein and in the International Placing Agreement
“Placing Shares”	the 540,000,000 Shares initially being offered for subscription or sale, comprising 420,000,000 new Shares offered by our Company and 120,000,000 Sale Shares offered by the Selling Shareholder, at the Offer Price under the Placing (subject to adjustment as described in “Structure of the Global Offering”) together with (unless the context otherwise requires) any Shares that could be issued pursuant to any exercise of the Over-allotment Option
“Placing Underwriters”	the several underwriters of the Placing, who are expected to enter into the International Placing Agreement
“PRC GAAP”	the accounting rules, regulations and generally accepted practice in the PRC
“Pre-IPO Investment”	the investment made by the Pre-IPO Investors pursuant to the terms of the Subscription Agreements, details of which are set out in “Appendix IV—Summary of Pre-IPO Investment”
“Pre-IPO Investor(s)”	collectively, BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising, Huadian, Huaneng Invesco WLR, Sincere, Hao Peng, Stone Capital and Feixl
“Pre-IPO Share Option(s)”	option(s) granted under the Pre-IPO Share Option Scheme

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“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company pursuant to a resolution of our Shareholders on November 30, 2012, details of which are set out in “Appendix VI—Pre-IPO Share Option Scheme”
“Price Determination Date”	on or about December 19, 2012 on which the Offer Price is determined and, in any event, not later than December 21, 2012
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in “Structure of the Global Offering—The Public Offer” at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) on and subject to the terms and conditions stated herein and in the Application Forms
“Public Offer Shares”	the 60,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment as described in “Structure of the Global Offering”)
“Public Offer Underwriters”	the underwriters of the Public Offer named in “Underwriting—Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated December 12, 2012 relating to the Public Offer entered into by, among others, our Company, Wison Holding, the Selling Shareholder and the Public Offer Underwriters
“QIB”	qualified institutional buyer within the meaning of Rule 144A
“Qualifying IPO”	as set forth in the Facility Agreement and the terms and conditions of the Bonds, a Qualifying IPO means the Listing of our Company on the Stock Exchange whereby (i) proceeds of not less than US\$200.0 million (including any proceeds raised as a result of the exercise of the Over-allotment Option) are raised, and (ii) our Company has a minimum market capitalization of US\$2.0 billion immediately after the Listing. The Listing has been deemed to be a Qualifying IPO for the purposes of the Facility Agreement and the Majority Shareholder Undertakings pursuant to a letter dated December 3, 2012. For further details, see “Financial Information—Indebtedness, contractual obligations and other off-balance sheet arrangements—U.S. dollar-denominated debt—Facility Agreement” in relation to

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	the Facility Agreement and “Appendix IV—Summary of Pre-IPO Investment” in relation to the Majority Shareholder Undertakings
“Regulation S”	Regulation S under the U.S. Securities Act
“Remaining Pre-IPO Investors”	BOCOM, Gold Prosperity, Sun-Rising, Sincere, Hao Peng, Stone Capital, Feixl
“Remuneration Committee”	the remuneration committee of our Company
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	120,000,000 Shares to be offered by the Selling Shareholder in the Placing
“SECCO”	Shanghai SECCO Petrochemical Company Limited (上海賽科石油化工有限責任公司), a joint venture of Sinopec, Sinopec Shanghai and BP East China Investment Company Limited and an Independent Third Party
“Second Put Option”	the option previously granted by Wison Holding to each of the Pre-IPO Investors, details of which are set out in “Appendix IV—Summary of Pre-IPO Investment—Put Options—Second put option if annual rate of return is not met”, which was terminated on June 1, 2012, details of which are set out in “Appendix IV—Summary of Pre-IPO Investment—Termination of the Second Put Option”
“SEI”	Sinopec Engineering Incorporation (中國石化工程建設有限公司), a subsidiary of Sinopec and an Independent Third Party
“Selling Shareholder”	Wison Investment
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of our Company
“Shareholder(s)”	holder(s) of our Shares

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“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to resolutions passed by our Shareholders on November 30, 2012, a summary of the principal terms of which are set out in “Appendix VI—Statutory and General Information—Share Option Scheme”
“Shell”	Royal Dutch Shell plc, an Independent Third Party
“Shell Global Solutions”	Shell Global Solutions International B.V., an Independent Third Party
“Sincere”	Hong Kong Sincere Investment Limited (香港華誠投資有限公司), a company incorporated under the laws of Hong Kong with limited liability on December 5, 2003 and wholly owned by New Huadu Industrial Group Co., Ltd. (新華都實業集團股份有限公司), and an Independent Third Party
“Sinopec”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited company established in the PRC and an Independent Third Party, the H shares of which are listed on the Main Board, the A shares of which are listed on the Shanghai Stock Exchange, and the depositary receipts of which are listed on the New York Stock Exchange and the London Stock Exchange, and an Independent Third Party
“Sinopec Guangzhou”	China Petroleum & Chemical Corporation Guangzhou Branch (中國石油化工股份有限公司廣州分公司), a branch of Sinopec and an Independent Third Party
“Sinopec Maoming”	China Petroleum & Chemical Corporation Maoming Branch (中國石油化工股份有限公司茂名分公司), a branch of Sinopec and an Independent Third Party
“Sinopec Qilu”	China Petroleum & Chemical Corporation Qilu Branch (中國石油化工股份有限公司齊魯分公司), a branch of Sinopec and an Independent Third Party
“Sinopec Shanghai”	Sinopec Shanghai Petrochemical Company Limited (中國石化上海石油化工股份有限公司), a subsidiary of Sinopec, the shares of which are listed on the Main Board, New York Stock Exchange and Shanghai Stock Exchange, respectively, and an Independent Third Party

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“Sinopec Yangzi”	Sinopec Yangzi Petrochemical Co., Ltd. (中國石化揚子石油化工有限公司), a subsidiary of Sinopec and an Independent Third Party
“SSEC”	Sinopec Shanghai Engineering Company Limited (中國石化集團上海工程有限公司), a subsidiary of Sinopec and an Independent Third Party
“Stabilizing Manager”	Citigroup Global Markets Asia Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager and Wison Investment pursuant to which Wison Investment will agree to lend up to 90,000,000 Shares to the Stabilizing Manager on the terms set out therein, further details of which are set out under “Structure of the Global Offering—Stabilization”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stone & Webster”	Stone & Webster, Inc., an American engineering services company
“Stone Capital”	Stone Capital Asia Limited, a company incorporated in the BVI with limited liability on June 26, 2009 which is wholly owned by Stone (Hong Kong) International Co., Limited (磐石(香港)國際有限公司), and an Independent Third Party
“Subscription Agreements”	the eight separate subscription agreements entered into by, among others, Wison Holding and the Pre-IPO Investors on July 5, 2011, details of which are set out in “Appendix IV—Summary of Pre-IPO Investment”, and each of the agreements is individually referred to as a “Subscription Agreement”
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Sun-Rising”	Sun-Rising Engineering Consultation Co., Limited (啓陽工程諮詢有限公司), a company incorporated under the laws of Hong Kong with limited liability on September 17, 2010 which is owned by 11 individuals, all of whom are Independent Third Parties
“Sun-Rising Adjustment”	the adjustment to the number of Shares held by Sun-Rising by way of transfer of Shares to Sun-Rising or



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	Wison Investment (as the case may be), details of which are set out in “Appendix IV—Summary of Pre-IPO Investment—Principal terms of the Bonds”
“Sun-Rising Original Subscription Agreement”	the bond subscription agreement entered into between Sun-Rising and Wison Holding on September 24, 2010, whereby Wison Holding issued non-interest bearing exchangeable bonds in the aggregate principal amount of US\$13.0 million to Sun-Rising, which was subsequently terminated by a termination agreement dated July 5, 2011 and replaced by the Subscription Agreement dated July 5, 2011 entered into by, among others, Wison Holding and Sun-Rising
“S\$” or “Singapore dollars”	Singapore dollars, the lawful currency of Singapore
“Tender Law”	the Tender Law of the PRC (中華人民共和國招標投標法)
“UBS”	UBS AG, Hong Kong Branch, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the International Placing Agreement and the Public Offer Underwriting Agreement
“United States” or “US”	the United States of America
“UOB”	United Overseas Bank Limited
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. person”	has the meaning ascribed to it in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“WFOE”	wholly foreign-owned enterprise established in the PRC under the laws of the PRC
“White Form eIPO service”	the facility for making an application for Public Offer Shares to be transferred into the applicant’s own

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	name by submitting an application online through the designated website of <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wison Chemical”	Wison Investment (Hong Kong) Limited (惠生投資(香港)有限公司), formerly known as Wison Chemical (Hong Kong) Limited (惠生化工(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 3, 2008 which is wholly owned by Wison Chemical Technology and is engaged in investment holding and is a connected person of our Company by virtue of being an indirect wholly owned subsidiary of Wison Holding
“Wison Chemical Technology”	Wison Chemical Technology Limited (惠生化工技術有限公司), a company incorporated in the BVI on May 26, 2008 which is wholly owned by Wison Holding, and is a connected person of our Company
“Wison (China) Investment”	Wison (China) Holding Company (惠生(中國)投資有限公司), a WFOE established in the PRC with limited liability on August 27, 2010 which is wholly owned by Wison Chemical, and is a connected person of our Company by virtue of being an indirect subsidiary of Wison Holding
“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 on June 3, 2008 which is wholly owned by Wison Technology, and is an indirect wholly owned subsidiary of our Company
“Wison Engineering”	Wison Engineering Ltd. (惠生工程(中國)有限公司) (formerly known as Shanghai Wison Chemical Engineering Co., Ltd. (上海惠生化工工程有限公司)), a company established in the PRC with limited liability on November 14, 1997 which was converted into a Sino-foreign co-operative joint venture on September 11, 2003 is owned as to 75% by Wison Energy (HK) and 25% by Jiangsu Xinhua, and is an indirect non-wholly owned subsidiary of our Company
“Wison Entities”	Wison Holding and its subsidiaries
“Wison Holding”	Wison Group Holding Limited (惠生控股(集團)有限公司), a company incorporated in the BVI with limited liability on April 23, 2003 which is wholly owned by Mr. Hua

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and is engaged in investment holding, and is one of our Controlling Shareholders

“Wison Investment”	Wison Engineering Investment Limited (惠生工程投資有限公司), a company incorporated in the BVI with limited liability on April 18, 2011 which is wholly owned by Wison Holding and is engaged in investment holding, and is one of our Controlling Shareholders
“Wison Nanjing”	Wison (Nanjing) Clean Energy Co., Ltd. (惠生(南京)清潔能源股份有限公司) (formerly known as Wison (Nanjing) Chemical Co., Ltd. (惠生(南京)化工有限公司)), a company established in the PRC with limited liability on September 18, 2003 which is owned as to 87.8% by Wison (China) Investment and 12.2% by 11 other independent shareholders, and is a connected person of our Company by virtue of being an indirect non-wholly owned subsidiary of Wison Holding
“Wison Nantong”	Wison (Nantong) Heavy Industry Co., Ltd. (惠生(南通)重工有限公司), a WFOE established in the PRC with limited liability on March 1, 2004 which is wholly owned by Wison Offshore & Marine, and is a connected person of our Company by virtue of being an indirect wholly owned subsidiary of Wison Holding
“Wison Offshore & Marine”	Wison Offshore & Marine Limited (惠生海洋工程有限公司), a company incorporated in Hong Kong with limited liability on June 3, 2008 which is an indirect wholly owned subsidiary of Wison Holding, and is a connected person of our Company
“Wison Singapore”	Wison Singapore Pte. Ltd., a private company limited by shares incorporated in Singapore on July 9, 2009 which is wholly owned by Wison Energy (HK), and is an indirect wholly owned subsidiary of our Company
“Wison Technology”	Wison Engineering Technology Limited (惠生工程技術有限公司), a company incorporated in the BVI with limited liability on April 23, 2003 which is wholly owned by our Company
“Wison Telecommunication”	Wison (Shanghai) Telecommunication Technology Co., Ltd. (上海惠生通訊技術有限公司), a company established in the PRC with limited liability on May 29, 2007 which is owned as to 80% by Jiangsu Xinhua, 10% by An Xiangzhi, 5% by Zhu Jiabin and 5% by Lin Wenming, and is a connected person of our Group by

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## DEFINITIONS

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virtue of being a non-wholly owned subsidiary of Jiangsu Xinhua, a substantial shareholder of Wison Engineering. An Xiangzhi, Zhu Jiabin and Lin Wenming are Independent Third Parties

“Wison Yangzhou”

Wison (Yangzhou) Chemical Machinery Co., Ltd. (惠生(揚州)化工機械有限公司), a WFOE established in the PRC with limited liability on May 18, 2004 which is wholly owned by Wison Energy (HK), and is an indirect wholly owned subsidiary of our Company

“WTO”

the World Trade Organization

“Zerun Biotech”

Shanghai Zerun Biotechnology Co., Ltd. (上海澤潤生物科技有限公司), a company established in the PRC with limited liability on May 7, 2003 which is wholly owned by Wison (China) Investment, and is a connected person of our Company by virtue of being an indirect wholly owned subsidiary of Wison Holding

“Zhoushan Wison”

Zhoushan Wison Offshore & Marine Co., Ltd. (舟山惠生海洋工程有限公司), a company established in the PRC with limited liability on May 18, 2007 which is wholly owned by Wison Offshore & Marine, and is a connected person of our Company by virtue of being an indirect wholly owned subsidiary of Wison Holding

“%”

percentage or per cent

*The English names for PRC entities are included for identification purposes only. In the event of inconsistencies, the Chinese names shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains certain technical terms used in this prospectus in connection with our Group and businesses. Such terms and their meanings might not correspond to standard industry definitions or usage of those terms:*

“ADU/VDU”	atmospheric crude distillation unit / vacuum distillation unit is usually used for the atmospheric crude distillation of crude oil, which is generally heated before being separated into distillates such as gasoline, kerosene, diesel and heavy diesel fuel by atmospheric distillation column
“anchor”	a metal anchor for fixing heat-insulating materials in place
“basic design”	a stage of the engineering phase that is mainly for confirming the technical principles and plans for the engineering phase. Basic design documents are mainly prepared to facilitate clients’ approvals and the development of the detailed design
“bracket”	a steel plate for supporting fire-resistant and heat-insulating materials
“butadiene”	a basic organic chemical material that is used for the production of synthetic rubber
“CCR”	continuous catalytic reforming, the process by which gasoline is distilled into base oil
“CMDI”	crude MDI
“convection coils”	heat transferring coils by convection
“CTP”	coal-to-propylene
“detailed design”	a stage of the engineering phase that is based on the basic design. Detailed design documents are mainly prepared to facilitate the procurement of general materials, manufacture of equipment, construction and operation of facilities
“DMTO”	Dalian methanol-to-olefins, a chemical technology that produces low carbon olefins using coal or natural gas-based synthetic methanol as raw materials
“EDC”	ethylene dichloride, a chemical compound chiefly used to produce polymers, primarily PVC
“EM”	an acronym for engineering management consulting, a business model whereby the project owners enter into separate agreements with the engineering company as well as an engineering management consulting company

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## GLOSSARY OF TECHNICAL TERMS

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“EP”	an acronym for engineering and procurement, a business model widely adopted in the international energy industry
“EPC”	an acronym for engineering (E), procurement (P) and construction management (C), a business model widely adopted in the international energy industry, under which the EPC provider bears the cost for engineering, procurement and construction and E, P and C shall be construed accordingly
“E+PsCm”	an acronym for engineering, procurement service and construction management service, a business model widely adopted in the international energy industry, under which the E+PsCm provider bears the cost for engineering but does not bear the cost for procurement or construction
“ethylene”	a basic organic chemical material that is mainly obtained through high temperature cracking of ethane and naphtha. Ethylene can be used in the production of resins and various intermediates of organic chemical products, including epoxy, ethane, glycol, chloroethylene, styrene, acetaldehyde and ethanol
“ethylene cracking furnace” or “cracking furnace”	a furnace in which hydrocarbons are heated and cracked into such products as ethylene and propylene and which is composed of convection coils and radiant coils
“ethylene downstream products”/“downstream products”	various products that are made of ethylene
“EVA”	ethylene vinyl acetate, a chemical compound used in the production of polyvinyl alcohol and synthetic fibers
“facilities”/ “production facilities”	the equipment and facilities in relation to the production of petrochemicals and coal-based chemicals, including oil refining complexes
“FCC”	fluid catalytic cracking, a major conversion process adopted in secondary processing of petroleum to convert heavy hydrocarbon fraction into gasoline, diesel and other valuable products
“FDPE”	full-density polyethylene, the main raw material of ethylene
“fixed price contract”	a contract between the overall contractor and its client at a fixed contract value whereby the overall contractor is responsible for the overall cost control and could profit from any fixed contract price in excess of the actual overall costs of a project



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## GLOSSARY OF TECHNICAL TERMS

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“guide plate”	a steel plate that has a guiding function
“initial start-up”	with respect to the commissioning of an ethylene cracking furnace, the first time a new or reconstructed ethylene cracking furnace commences production
“insulating materials”	refractory and adiabatic materials used in refractory lining
“ISO”	the International Organization for Standardization, an international agency for standardization comprising national standard bodies of a number of countries
“ISO 9001”	a series of international standards on quality management and assurance developed and published by ISO Technical Committee 176 in 1987 and subsequently revised in 1994 and 2000
“kta”	kilo tons per annum
“LDPE”	low-density polyethylene, a plastic material that has been principally used to produce film and plastic products, medical devices, packaging materials for medicines and food as well as other products with hollow cavity
“LLDPE”	linear low-density polyethylene, a copolymer made of ethylene and a small amount of high quality alpha-olefin
“MDI”	methylene diphenyl diisocyanate, a compound that is mainly used in the manufacturing of soft polyurethane foam and elastic fibers. The products of MDI are extensively used in various aspects of the economy, such as aviation, aerospace, refrigeration and construction
“MMDI”	a standard abbreviation for “pure” MDI
“MNB”	mononitrobenzene
“MTBE”	methyl tert butyl ether, a compound commonly used as an anti-knock agent in unleaded petrol and also widely used in the chemical and biological industries
“MTO”	methanol-to-olefins
“MTP”	methanol-to-propylene
“Mtpa”	million tons per annum
“PC”	an acronym for procurement and construction, a business model widely adopted by the international energy industry

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## GLOSSARY OF TECHNICAL TERMS

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“PET”	polyethylene terephthalate, a thermoplastic polymer resin of the polyester family, which is principally used in the production of synthetic fiber
“petrochemicals”	chemical products derived from petroleum
“plate guard”	a steel plate for protecting the materials in the inner lining
“PM”	an acronym for procurement management consulting, a business model whereby the project owners procure raw materials and equipment directly while engaging a procurement management consultant for consulting services
“PMC”	an acronym for project management contracting, whereby a contractor or consultant is appointed to assist the client in supervising a project, managing project schedules and quality, and coordinating the work of other contractors in the project, without the risks of cost overruns that could affect EPC contractors
“polyethylene”	a derivative petrochemical produced through polymerization of ethylene. Polyethylene can be applied in producing different plastic products like films, pipes and containers
“polypropylene”	a derivative petrochemical produced through the polymerization of propylene. Polypropylene can be applied in, for example, producing house wares, automobile parts and fibers
“production efficiency”	a major indicator for economic benefits of production operation
“PTA”	purified terephthalic acid, one of the major organic raw materials and is widely used in various industries, including chemical fiber, light industry, electronics and construction
“PVA”	polyvinyl alcohol, a kind of resin in solid form. Vinyl acetate is polymerized to form polyvinyl acetate that further reacts with methanol to turn into polyvinyl alcohol with the effect of alkali. Polyvinyl alcohol can be used in processing of textile and paper, production of adhesion agents, films and like products, pharmaceuticals, emulsification stabilizers and soil enhancing chemicals
“PVB”	polyvinyl butyral, a resin usually used for applications that require strong binding, optical clarity, adhesion to many surfaces, toughness and flexibility
“PVC”	polyvinyl chloride, a type of synthetic resin that can be used in the production of films, plates, man-made grass, pipes, sections and protective layer of wires

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## GLOSSARY OF TECHNICAL TERMS

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“radiant coils”	heat transferring coils by radiant
“recovery system”	a system that can collect reusable materials after certain chemical processes
“renovation”	the advanced technology or process applied in modifying present systems and equipment, with the aim of increasing production capacity while reducing consumption of materials and energy
“SBS”	styrene-butadiene-styrene thermoplastic elastomers, the most common synthetic rubber. It has similar performances to natural rubber in respect of physical structure, manufacturing process and usage of products
“SSBR”	solution polymerization styrene-butadiene rubber, a compound widely used in the production of high performance tires, such as environment-friendly tires and anti-skid tires
“styrene”	a basic organic chemical material made from ethylene and benzene. Styrene can be used in producing PVC, SSBR, SBS, ABS resins and other chemical products
“synthetic fiber”	a type of chemical fiber obtained through chemical synthesis and which is used in the textile industry
“synthetic resins”	a type of petrochemical product, including polyethylene, polypropylene, polystyrene, PVC and ABS resins
“synthetic rubber”	a type of petrochemical product, including maleic rubber, SSBR, chloroprene rubber, acrylonitrile-butadiene rubber, ethylene-propylene rubber, butyl rubber and other rubbers
“t/h”	tons per hour
“ton”	metric ton, equivalent to 1,000 kilograms
“total solution”	a solution that includes full services, including the preparation of a project implementation plan, seeking client’s approval of the implementation plan, design, procurement, construction, on-site management to commissioning, and other after-project services like maintenance, upgrading and technology support
“VAC”	vinyl acetate, a colorless, transparent and inflammable liquid that has the smell of vinegar and is made by catalytic oxidation of ethylene, oxygen and acetic acid. In Asian countries like China, it is mainly used in producing polyvinyl alcohol for further production of vinylon

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## GLOSSARY OF TECHNICAL TERMS

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“VCM”	vinyl chloride monomer, a substantially linear polymer (polyethylene), with significant numbers of short branches, commonly made by copolymerization of ethylene with longer-chain olefins
“venturi pipe”	a pipe that passes through the venturi structure. It can ensure that the flow of materials in the pipe is maintained at a critical level, in order to ensure a constant flow
“WMTO”	Wison methanol-to-olefins, one of our proprietary technologies
“yield”	the target product percentage of total products produced in a production process
“YoY”	year on year

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained in a number of places throughout this prospectus. They relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, that could cause our actual results, performance or achievements to be materially different from any future results. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- our strategies, plans, objectives and goals;
- our capital expenditure plans, future capital needs and funding plans;
- various business opportunities that we may pursue;
- timing and completion of our projects;
- projects under development;
- our financial condition and results of operations;
- expected trends in global and PRC coal and crude oil prices;
- expected growth in the demand for petrochemical, refined oil and coal-to-chemicals products;
- future developments, trends and conditions in the petrochemicals, oil refining and coal-to-chemicals industries in China and other countries into which we intend to develop our operations;
- general political and economic conditions in China and elsewhere;
- macroeconomic measures taken by the PRC government to manage economic growth;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- expected challenges faced by the petrochemicals, oil refining and coal-to-chemicals industries in general;
- the competitive markets for our products and the actions and developments of our competitors;
- exchange rate fluctuations and developing regulations and restrictions, including tariffs and environmental regulations, in each case pertaining to China and the industries and markets in which we operate;
- capital markets developments;
- our dividend policy;

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## FORWARD-LOOKING STATEMENTS

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- other statements in this prospectus that are not historical fact; and
- other factors discussed in “Risk Factors”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” beyond our control.

Forward-looking statements may and often do differ materially from actual results. The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of anticipated events. You should read this prospectus completely and with the understanding that our actual future results or performance could be different from what we expect.

In addition, the words “aim”, “intend”, “plan”, “believe”, “expect”, “estimate”, “anticipate”, “may”, “might”, “could”, “would”, “should”, “will”, “is/are likely to” or other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. While our Directors have exercised reasonable care with respect to the forward-looking statements made throughout this prospectus, should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our business, results of operations and financial condition could be adversely affected and could vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized.



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## RISK FACTORS

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Potential investors should carefully consider the risk factors described below together with all other information contained in this prospectus before deciding whether or not to invest in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you could lose all or part of your investment. This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions that involve risks and uncertainties. Our actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.

### RISKS RELATING TO OUR BUSINESS

#### **We rely on the PRC market; our business is affected by the PRC regulatory environment**

Almost all of our clients at present are based in the PRC and almost all of our income during the three years ended December 31, 2011 and up to June 30, 2012 was generated from the PRC. Demand for our services depends on the level of activities and capital expenditures in the PRC petrochemicals, oil refining and coal-to-chemicals industries, which, in turn, is affected by the regulatory environment in the PRC, as our clients are predominately PRC state-owned enterprises whose capital expenditures often follow the PRC government's policies, planning and industry construction cycles. See "Financial Information—Factors Affecting Our Results of Operations and Financial Condition—PRC's Industry Trends and Regulatory Policies" for a more detailed description of the recent regulatory trends. Unfavorable shifts in the PRC's industry trends and regulatory policies could cause our projects to be postponed or cancelled, which could adversely affect our business, results of operations and financial condition.

#### **We have a limited client base and may fail to secure further contracts from existing clients, or may fail to win contracts from new clients**

We provide engineering, procurement and construction management, or EPC, services to the petrochemicals and oil refining industries in the PRC. The PRC petrochemicals and oil refining industries are dominated by a small number of large state-owned oil companies, such as PetroChina and Sinopec, and their respective subsidiaries, including engineering subsidiaries that could be our competitors and subsidiaries that could be our construction sub-contractors. We rely heavily on these companies' demand for our solutions, and our business, results of operations and financial condition are affected by their capital expenditures on designing, building and renovating ethylene and downstream petrochemicals production facilities and oil refineries.

For the three years ended December 31, 2011 and the six months ended June 30, 2012, revenue derived from PetroChina and its subsidiaries, on a group basis, constituted a significant proportion of our total revenue, reflecting the fact that PetroChina and its subsidiaries have continued to award contracts to us. Our revenue derived from PetroChina

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## RISK FACTORS

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and its subsidiaries, on a group basis, amounted to RMB1,188.9 million, RMB3,985.0 million, RMB2,941.6 million and RMB120.6 million, or approximately 63.1%, 80.1%, 58.4% and 14.0% of our total revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

We also maintained a good relationship with Sinopec and its subsidiaries during the same period, as evidenced by our participation in several projects owned by Sinopec Maoming, Sinopec Shanghai and Sinopec Guangzhou. Revenue derived from Sinopec and its subsidiaries, on a group basis, amounted to RMB182.7 million, RMB98.0 million, RMB57.0 million and RMB11.7 million, or approximately 9.7%, 2.0%, 1.1% and 1.4% of our total revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

We cannot assure you that PetroChina and Sinopec or their respective independently operated subsidiaries will continue to engage us to provide our solutions for their ethylene and downstream petrochemicals production facilities or oil refineries. If we fail to secure further contracts from these project owners for whatever reason, and we are unable to win contracts from other clients on comparable terms or at all, our business, results of operations and financial condition could be adversely affected. See “—We face competition in each of our business segments and as we expand overseas” below. In addition, changes in the strategic focus of these oil companies that result in any reallocation of resources away from their petrochemicals, oil refining or coal-to-chemicals businesses could also affect the total amount of their capital expenditure and their willingness to engage us for EPC services, which could adversely affect our business, results of operations and financial condition.

### **Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns**

It is generally the project owners, and not the service providers such as us, who determine (and set out in the bidding documents) whether a contract is fixed price or cost plus. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the vast majority of our revenue was derived from fixed price contracts. Of the RMB29,243.5 million of our Group's total backlog as of June 30, 2012, RMB18,770.4 million, or 64.2%, consisted of fixed price contracts. Under these contracts, we agree to provide our solutions to a client at a fixed price, with penalties tied to our failure to meet agreed-upon design specifications, project milestones, quality specifications and deadlines, thus exposing us to any cost overruns.

While we would generally secure fixed price contracts from our equipment suppliers, our actual costs for the execution of a fixed price contract may differ from our estimates of such costs at the time we tendered our bids. Factors beyond our control, such as unanticipated increases in the costs of raw materials, parts, equipment, fuels and power could cause prices of inputs to increase, and failure on the part of suppliers or construction sub-contractors to perform, delay caused by unexpected weather conditions or technical issues and other unforeseeable events could give rise to unanticipated costs or delays, causing our actual costs to differ from our estimated costs. Raw materials, such as stainless steel, copper and alloy materials, that are critical to the production of our products and the delivery of our services have been subject to cost fluctuations. We cannot assure you that

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## RISK FACTORS

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further cost fluctuations resulting in increases in the cost of supplies will not occur in the future or that we will be able to pass on any portion of such cost increases to our clients.

The shifting of the risks associated with the construction of production facilities, such as delays and cost overruns, from our clients to us is inherent in the nature of our business model. As the factors leading to cost overruns are difficult to predict at the time of bidding or prior to signing of binding agreements with clients, we may have to absorb any cost overruns that we are unable to pass on to our clients as a result of such fixed price contracts. As such, it may not always be possible for us to reliably estimate our final costs at the outset. If our actual costs differ from our anticipated costs for these or any other reasons, our results of operations and financial condition could be adversely affected. See “Financial Information—Net Profit Sensitivity” for a sensitivity analysis for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 showing the changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects.

Further, as part of our operations, we must also procure sufficient quantities of raw materials, parts and equipment, such as stainless steel, copper, steel pipes, alloy materials, valves and industrial meters, at acceptable prices and quality and in a timely manner. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our five largest suppliers, in the aggregate, accounted for approximately 19.8%, 17.1%, 19.3% and 17.9%, respectively, of our total purchases, while our largest supplier accounted for approximately 6.2%, 4.2%, 7.2% and 7.1%, respectively, of our total purchases. There is no assurance that we will be able to obtain sufficient quality or amounts of raw materials, parts or equipment from our existing suppliers or from alternative sources at acceptable prices, in a timely manner, or at all. Further, any failure to obtain raw materials or equipment of appropriate quality or quantity, or any failure to do so on commercially acceptable terms and in a timely manner, could interfere with our manufacturing operations, and hence adversely affect our business, results of operations and financial condition.

### **Our level of business is affected by the supply deficits created by demand growth of petrochemical and coal-to-chemicals products**

Our business, results of operations and financial condition are affected by periods of supply deficits created by growth in demand for petrochemical and coal-to-chemicals products. The cycles in the petrochemicals industry are characterized by periods of tight supply, where there is higher demand than the supply available, leading to high operating rates by the producers and peak margins. These periods are normally followed by periods of oversupply resulting primarily from excessive capacity additions, which in turn lead to reduced operating rates and margins for the producers. As a result, capital expenditures for refining and distribution facilities by large petrochemicals producers in the PRC have a significant impact on the activity levels of our businesses.

Demand for our services could decrease in the event of a sustained reduction in crude oil prices. Perceptions of lower longer-term oil and natural gas prices by petrochemicals and coal-to-chemicals producers could similarly reduce or defer their major expenditures for production facilities given the long-term nature of many large scale projects. Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future.

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## RISK FACTORS

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Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other factors that are beyond our control, such as worldwide political, military and economic conditions, cost of producing and delivering oil, level of oil production, the supply quota adopted by OPEC, shifts in end-client preferences toward fuel efficiency and potential acceleration of the development of alternative fuels. If any factors mentioned above have a negative impact on the profitability of, and capital expenditures by, petrochemicals and coal-to-chemicals producers in the PRC, their demand for our EPC services may fall and our business, results of operations and financial condition could be adversely affected.

**We have limited experience in providing EPC solutions for coal-to-chemicals production facilities and our future success is dependent on our keeping abreast of rapidly developing technologies**

We have limited experience in providing EPC solutions for the construction of coal-to-chemicals production facilities, having completed only one project, Project 42 (Wison (Nanjing) Synthesis Gas Project). While there are substantial process similarities between the EPC service requirements for the designing and building of petrochemicals production facilities and those for coal-to-chemicals production facilities, there are certain specialized technologies and processes, project implementation procedures, and knowledge of suppliers and their products for which we must devote significant time and effort to develop. Further, new technologies are constantly being developed in the coal-to-chemicals conversion processes. Traditionally, the coal-to-chemicals processes in China have been largely in the areas of coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. More recently, the focus has been shifted to coal-to-methanol, MTO and MTP processes due to better cost efficiencies and greater demand for these chemicals. Our future success in the coal-to-chemicals EPC sector, and our ability to capture a significant share of China's coal-to-chemicals EPC service business as it develops, depends on (i) our being awarded additional projects to enable us to keep abreast of the latest design developments, available technologies and changing market demands, (ii) our ability to devote sufficient resources to such developments and (iii) our ability to develop new technologies. Failure to win additional EPC contracts in the coal-to-chemicals sector or to successfully keep abreast of or develop new technologies could adversely affect our ability to keep pace with advancements in technology and could adversely affect our competitiveness.

**We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment**

During the three years ended December 31, 2009, 2010 and 2011, our gross profit margins in the coal-to-chemicals business segment were 42.9%, 76.4% and 25.3%, respectively. During the six months ended June 30, 2011 and 2012, our gross profit margins in the coal-to-chemicals business segment were 29.5% and 25.7%, respectively. We experienced strong volatility in our gross profit margins in this business segment primarily due to a small number of projects we undertook in this business segment having widely divergent profit margins and we believe the volatility we experienced was accentuated by the small sampling size in this segment overall.

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## RISK FACTORS

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In the two years ended December 31, 2009 and 2010, a majority of our revenue in the coal-to-chemicals business segment was derived from projects that involved engineering and management services. As the costs of procurement and construction were not borne by us for such services, those projects had lower costs of sales and yielded much higher gross profit margins compared to the gross profit margins of our EPC or PC services. See “Financial Information—Factors Affecting Our Results of Operations and Financial Condition—Model of Services Provided” and “Financial Information—Description of Components of Results of Operations—Gross Profit” for more details. In the year ended December 31, 2011 and the six months ended June 30, 2012, a majority of our revenue in the coal-to-chemicals business segment was derived from projects that involved EPC or PC services in which we paid the costs of procurement, which yielded gross profit margins similar to the gross profit margins of our other business segments.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, the vast majority of our revenue was derived from fixed price contracts, which subjected us to the risks of fluctuating raw materials and equipment prices and sub-contracting fees. Such fluctuations may contribute to the volatility in our gross profit margins. See “—Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns” for more details. In May 2012, we entered into a contract for Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)) in the coal-to-chemicals business segment, the largest project of our Group by contract value as of the Latest Practicable Date, which utilizes cost plus pricing according to the specifications of the client. In general, cost plus contracts transfer the risks of fluctuating raw materials and equipment prices and sub-contracting fees to the project owners and thus limit the risk to us of gross profit margin volatility. However, gross profit margins for our cost plus contracts are normally lower than gross profit margins for our fixed price contracts to take into account this shifting of risk. It is generally the project owners, and not us, who determine (and set out in the bidding documents) whether a contract will be fixed price or cost plus. See “Business—Pricing and Risk Management” for more details. We cannot predict whether the use of cost plus contracts in our coal-to-chemicals business segment will increase or, if it does, whether that will have an overall positive or negative effect on our gross profit margins in this business segment. Further, we may continue to experience volatility in our gross profit margins in the coal-to-chemicals business segment.

### **We could be affected by future PRC policy changes on coal-to-chemicals projects**

The PRC government is becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not necessarily justify their environmental impact. In the case of coal-to-olefins, the technology is also newly developed and there could be undiscovered risks. The PRC government updated its policy on coal-to-chemicals investment approvals on March 23, 2011, prohibiting investments in certain small scale coal-to-chemicals projects and imposing tight thresholds on large scale coal-to-chemicals projects. Pursuant to this update in policy, approval of certain small scale projects is suspended pending issuance of new project approval standards by relevant government authorities. See “Business—Business Segments—Coal-to-chemicals”.

Among the coal-to-chemicals projects currently undertaken by us, the annual output of each of Project 44 (Erdos Jingchentai Methanol Project) and Project 52 (Erdos Guotai



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## RISK FACTORS

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Chemical Coal-to-Methanol Project) is under 1,000kta, which falls into one of the categories of projects suspended by the updated policy. These projects, however, were approved by the relevant governmental authority prior to March 23, 2011, and, as advised by our PRC legal advisers, the validity of such approvals has not been affected by the new policy.

If there are further limiting changes to the PRC government policies on the coal-to-chemicals industry, there may be fewer coal-to-chemicals projects available in the market and our business, financial condition and results of operations could be adversely affected.

**If we suffer disputes or other difficulties with Jiangsu Xinhua, the minority shareholder of Wison Engineering, our major operating subsidiary, or Jiangsu Xinhua experiences its own difficulties, it may affect our ability to cause Wison Engineering to take actions that we believe would be beneficial to us. Further, any change in Jiangsu Xinhua's status as a PRC domestic investment entity could affect Wison Engineering's status as a Sino-foreign joint venture construction enterprise and our ability to undertake certain construction projects within the PRC**

Wison Engineering, our major operating subsidiary, is a Sino-foreign cooperative joint venture that is indirectly 75% owned by us and 25% owned by Jiangsu Xinhua. During the three years ended December 31, 2011 and the six months ended June 30, 2012, our revenue derived from projects that could only be undertaken by a Sino-foreign joint venture construction enterprise, and not by a wholly foreign owned enterprise, accounted for at least 70%, 95%, 95% and 85% of our total revenue, respectively. Our ability to control the decisions of Wison Engineering, a non-wholly owned subsidiary, depends on a number of factors, including, without limitation, reaching agreement with our joint venture partner and our rights under the joint venture contract entered into between Jiangsu Xinhua and Wison Energy (HK). Under the joint venture contract, Wison Energy (HK) is entitled to appoint two of the three directors of Wison Engineering and Jiangsu Xinhua is entitled to appoint the third director. Certain matters such as amendment of articles of association, increase and decrease of registered capital, merger, division and change of company form, termination, dissolution or liquidation, and mortgage of assets require unanimous approval from the directors attending the relevant board meeting. Further, under the joint venture contract, increase and decrease of registered capital requires the consent of both parties. Failure to obtain unanimous consent on those matters may prohibit us from acting in a manner which we would like. However, we cannot assure you that Jiangsu Xinhua's consent can be obtained as Jiangsu Xinhua may have economic or business interests or goals that are inconsistent with ours. Consequently, we may not always have the ability to cause Wison Engineering to take actions that we believe would be beneficial to us and to it.

We depend on Wison Engineering's status as a Sino-foreign cooperative joint venture construction enterprise in order to be able to undertake certain types of construction projects within the PRC. As such, Wison Engineering must be owned as to a minimum of 25% by one or more PRC domestic entities at all times. Jiangsu Xinhua and Mr. Han Jianyu, the sole shareholder of Jiangsu Xinhua, have given certain undertakings to our Company, Wison Energy (HK) and Wison Engineering in connection with maintaining Wison Engineering's status as a Sino-foreign cooperative joint venture construction enterprise. For further details



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of such undertakings and the terms of the joint venture contract between Wison Energy (HK) and Jiangsu Xinhua in relation to Wison Engineering, see “History, Reorganization and Group Structure”.

There is no certainty that disputes will not arise between us and Jiangsu Xinhua. If a dispute cannot be timely resolved in a satisfactory manner, if Jiangsu Xinhua fails to perform any of its obligations under the joint venture contract or if Jiangsu Xinhua or Mr. Han Jianyu fails to perform their respective obligations under the undertakings they have given to our Company, Wison Engineering and Wison Energy (HK) in connection with Wison Engineering’s status as a Sino-foreign joint venture construction enterprise, it could cause a loss of business opportunities to us, disruption to or termination of our joint venture with Jiangsu Xinhua or lead to potential litigation, or could affect Wison Engineering’s status as a Sino-foreign joint venture construction enterprise and its ability to undertake certain construction projects within the PRC. As a result, the business and results of operations of Wison Engineering, and therefore our Group, could be negatively affected. For further details of the construction projects that different types of foreign invested enterprises may undertake in the PRC, see “Summary of PRC Laws and Regulations”.

Furthermore, any financial, operating or other difficulties experienced by Jiangsu Xinhua or Mr. Han Jianyu in their own businesses may also impede their ability to fulfill their contractual obligations with respect to the maintenance of the status as a Sino-foreign joint venture construction enterprise for Wison Engineering and hinder the furtherance of our corporate objectives. The occurrence of any of these events could in turn adversely affect our business and results of operations.

### **We need to continually develop new technologies**

We continually invest in and develop new technologies or new features of current technologies; for example, our HS-I, HS-II and HS-III cracking furnace proprietary technologies, certain MTO light olefins separation technologies and WMT0 process technologies, in order to sustain our competitive advantage. See “Business—Our Key Strengths—Strong technology innovation capability”. The research and development of new technologies or new features of current technologies, either individually or in collaboration with other companies, is a complex and uncertain process requiring high levels of innovation and investment, as well as the accurate anticipation of technological and industry trends. Failure to make adequate investment, to successfully anticipate trends or to successfully develop new technologies or new features of current technologies could have an adverse effect on our business, financial condition or results of operations.

We are currently cooperating with Shell Global Solutions to develop and commercialize Shell Global Solutions’ hybrid coal gasification technology in China. Shell Global Solutions’ hybrid coal gasification technology is still in the validity demonstration stage and therefore is subject to occasional setbacks that could disrupt production processes resulting in lower yields to facilities than anticipated. Further, we cannot assure you that development and commercialization of these technologies will be successful. See “Business—Intellectual Property Rights—Shell Hybrid Gasification Demonstration Project”.

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### **We cooperate with third party business partners to provide tailored solutions to our clients and our business could be affected if we cannot maintain such business relationships with them**

We sub-contract to, and form working relationships with, suppliers of materials, equipment and services so as to deliver tailored solutions to our clients by selecting high-quality equipment, materials and construction methods. While these working relationships are not formal arrangements and vary from time to time, the past success of our collaboration with our business partners and our experience gained from our projects have reinforced our business relationships with such business partners. In the event that our business partners, such as raw materials and equipment suppliers and construction sub-contractors, fail to enter into agreements with us or otherwise to cooperate with us on commercially reasonable terms in relation to future projects, and we are unable to put in place alternative business arrangements on commercially viable terms and of acceptable quality within the required time frames, our business, results of operations and financial condition could be adversely affected.

### **We face competition in each of our business segments and as we expand overseas**

There are a number of PRC-based EPC solution providers, including subsidiaries of PetroChina and Sinopec, that design, build or renovate petrochemicals production facilities and oil refineries at a level close to our level of sophistication. We compete actively with these entities on the basis of our pricing, qualifications and perceived quality of services. See “Business—Competition”. Among our competitors are certain affiliates of project owners, again, including subsidiaries of both PetroChina and Sinopec, that have been established to provide a mix of engineering, procurement, construction management and construction sub-contractor services. Project owners are required to award their projects through public tender of open bids or invitational tender with multiple bidders, without favoring affiliated entities. However, we cannot assure you that we will always be successful in winning these bids. See “—We have a limited client base and may fail to secure further contracts from existing clients, or may fail to win contracts from new clients” above. Further, unfavorable publicity regarding project owners’ project tendering processes, or the tendering processes through which we select our suppliers, could adversely affect our reputation, business, results of operations and financial condition. We are also exposed to the risk that our competitors could implement new technologies before we do, offer lower prices, or offer other qualifications that we cannot or will not offer. In addition, our competitors could respond more quickly to new or emerging technologies and changes in client requirements. Further, our competitors could establish financial and strategic relationships among themselves or with other EPC service providers outside of the PRC that would work to our disadvantage.

We also face new challenges and competition as we venture further into the coal-to-chemicals markets. As the PRC coal-to-chemicals industry is newly developed, we may not be able to rely on our track record to procure further contracts. In addition, as we expand into international markets, we will face increased competition from service providers outside of the PRC, who might have more experience in the industry, as well as greater financial resources.

Any competition would likely result in increased pressure on pricing and increased marketing expenses, which could result in reduced profit margins and reduction in our market

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share. If our competitors, whether domestic or foreign, gain a competitive advantage in terms of pricing, quality, brand name recognition or financial and technical resources, our business, results of operations and financial condition could be adversely affected.

### **We may be exposed to greater credit risks as we expand into coal-to-chemicals and overseas markets**

We are subject to the credit risks of our clients and our profitability is dependent on our clients making timely payment after the clients confirm our progress billings for the work done by us. Historically, our clients have been industry leaders in the petrochemicals market in the PRC, such as PetroChina and Sinopec, and their respective subsidiaries, to whom we have not had significant exposure for credit risks. China's coal-to-chemicals industry is more fragmented than the other industries in which we operate and privately-owned businesses in the coal-to-chemicals industry may not have the financial resources comparable to the industry leaders in the petrochemicals market. In addition, our international expansion plan includes targeting certain oil and gas rich countries in Southeast Asia, the Middle East and Latin America that are among the emerging and developing economies. Engaging in projects with project owners from these countries, such as Saudi Arabia and Venezuela, could expose us to higher credit risks. We cannot assure you we will be able to collect all or any part of our trade receivables within the credit terms granted by us to the relevant client or at all. Default or delay in payment by our clients would adversely affect our business, results of operations and financial condition.

### **Our expansion into overseas markets is subject to political, economic and other uncertainties not generally encountered in our PRC domestic operations**

We hope to further expand our operations outside China, to countries in Southeast Asia, the Middle East, West Africa and Latin America. Our existing operations in Indonesia, Saudi Arabia and Venezuela and future overseas expansion will be subject to political, economic and other uncertainties not generally encountered in our PRC domestic operations. These include:

- difficulties in staffing and managing foreign operations;
- the ability to finance efficiently our foreign operations;
- unfamiliarity with local operating and market conditions;
- unexpected changes in foreign government policies and regulatory requirements;
- the adoption of new, and the expansion of existing, trade or other restrictions;
- uncertain political, legal and economic environments;
- lack of developed legal systems to enforce contractual rights;
- overlap of different tax structures;
- limitations on the ability to repatriate foreign earnings; and
- risk of changes in foreign currency exchange rates.

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In addition, there may be many established participants in these markets who already enjoy significant market share, and it may be difficult for us to win market share from them. Further, because of the recent market downturn in the United States and Western Europe, industry participants from these places might also look into our potential new markets due to the weakness of their own local and domestic markets. Because of these risks, the development of our overseas operations and our execution of projects may be limited, or disrupted. These potential events and liabilities could adversely affect our business, results of operations and financial condition.

### **Our revenue is subject to periodic fluctuations**

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates due mainly to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China's north and northeast regions) and the PRC government does not normally begin to review and approve its budgets until after the Chinese new year, the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of each calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year. Further, any significant or prolonged adverse weather conditions that negatively affect construction activities or slow the growth of new construction business could have a material adverse effect on our business, results of operations and financial condition.

### **We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs**

Due to the timing differences between our payment obligations and receipts of payments from our clients, our cash flows from operating activities are relatively uneven, rather than steady and consistent. As of December 31, 2009, 2010 and 2011, we had net current assets of RMB309.5 million, RMB1,065.1 million and RMB387.8 million, respectively. As of June 30, 2012, we had net current liabilities of RMB338.6 million, and we had unaudited net current liabilities of RMB93.3 million as of October 31, 2012.

On the timing of cash inflows, our normal payment arrangements with our construction contract clients are as follows: (i) 10% to 20% of the total contract price is collected as an advance upon signing of the contract; (ii) further collection is made such that we will have

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cumulatively received 60% to 70% of the total contract price when the materials and equipment are delivered on site; and (iii) further collection is made such that we will have cumulatively received 90% to 100% of the total contract price upon completion of the construction and acceptance testing. However, on cash outflows, our normal payment arrangements with our raw material suppliers generally require up to 90% to 100% of the invoice amount to be paid by the time the goods are delivered and passed inspections. Our normal payment arrangements with our equipment suppliers generally require: (a) 15% to 30% of the total contract price to be paid as an advance upon signing of a supply contract; (b) further payment to be made such that we will have cumulatively paid 90% to 95% of the total contract price when the equipment is delivered; (c) 5% to 10% of the total contract price to be paid when the equipment delivered has passed any on-site testing; and (d) the remaining 5% of the total contract price to be paid upon the expiry of the warranty period that on average is approximately 12 months after the delivery of the key equipment on site. As a result of these timing differences between our cash inflows and outflows, we have had to rely on short-term bank borrowings to fund a portion of our working capital requirements and expect to continue to do so in the future.

In addition, as we venture into the international market, we may enter into contracts where, compared to our existing contracts in the PRC, the advance payments we receive from project owners will be less, or even none. If the equipment or raw material suppliers for those projects require advance payment from us, we could experience increasing working capital needs.

We cannot assure you that we will always be able to repay our bank borrowings on maturity or replace them with new borrowings as necessary. If we are unable to obtain additional financing, or if we encounter significant working capital requirements or cash outflows as a result of these or other factors, we might not have sufficient liquidity or the credit capacity to meet all of our cash needs.

### **Projected revenue amounts reported in our backlog could fail to result in actual revenue or translate into profits**

Backlog represents our estimate of the contract value of work that we are engaged in and remains to be completed under our signed and legally-binding contracts net of estimated VAT, which may vary from actual VAT. Backlog is not an audited measure defined by IFRS and may not be indicative of financial performance. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming we perform the contract in accordance with its terms. Contracts are subject to termination by clients under certain circumstances, including, but not limited to, our breach of material contractual obligations, bankruptcy or force majeure events. We may also agree to modify the scope of a project contract or to suspend the project or terminate the contract ahead of project completion, due to changes in market demand or applicable regulations or policies. The termination or scope adjustment of any one or more contracts or the award of new contracts could have a substantial and immediate effect on our backlog. To the extent work on contracts advances, they are progressively removed from backlog. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or adjustments to the scope of the projects in our backlog may occur from time to time, which could reduce the monetary amount of our backlog and the revenue and profits we ultimately earn from those contracts. As of June 30, 2012, our backlog was approximately RMB29,243.5 million.



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We cannot assure you that our contracts will not be subject to any material modifications, terminations or cancellations by our clients, each of which could have an adverse effect on our backlog and our business and results of operations. There also can be no assurance that we can perform our contracts in full in accordance with their terms without any delay or defect due to reasons beyond our control. Additionally, we cannot guarantee that the revenue projected in our order book will be realized in a timely fashion, or at all, or that, even if the revenue is realized, it will result in profit. As a result, you should not take the number of orders we have received or the value of our order book or backlog in the past as an indication of our revenue or profitability in the future.

**We do not have full control over the commencement time and various milestones of a construction project, which could delay our receipt of revenue and completion of our projects**

As a substantial portion of our revenue is generated from the projects we undertake, and the timing of award of new projects, their subsequent commencement dates and the timing of when they reach various milestones, which in turn trigger payment obligations to us, could be unpredictable, our revenue and results of operations could be subject to significant periodic fluctuations. It is generally very difficult to predict whether or when we will secure mandates for projects as they frequently involve a lengthy and complex bidding and selection process that is affected by a number of factors, such as market conditions and timing of governmental approvals. Further, even after projects have been awarded to us, we have no control over the commencement dates of the construction work for our projects, which to a large extent are dictated by our clients' own commercial objectives and internal approval procedures, as well as their desire to minimize disruptions to their normal production. Although we have a significant amount of control over the progress of our services on a transaction, a number of factors (such as delivery of raw materials and supplies, and timely performance by third party sub-contractors according to their contractual obligations) are beyond, or partially beyond, our control. Consequently, if a sub-contractor fails to provide services on time, we may be delayed in meeting a particular milestone when we can issue and request our clients to confirm the progress billings for that milestone, therefore delaying when we can receive payments. Lastly, the gap between the end of the principal construction phase and project completion is based not only on the completion of principal construction but also subject to various factors and conditions, some internal to us and others relating to the project owners, which include but are not limited to: (a) insulation, corrosion protection, test runs, and cleaning performed by us, which could be affected by factors such as supply of electricity and water from the project owner; (b) the completion of relevant supporting facilities or other sub-projects within the entire project constructed by the project owner or other parties, which might be delayed due to various reasons not within our control; and (c) various inspections and acceptance tests organized and coordinated by the project owners, the procedures of which might be complicated and time-consuming for large scale projects. Delayed commencement of the construction work commissioned by our clients, and delays in the timing of our projects and ability to recognize revenue, or other factors beyond our control, could lead to significant periodic fluctuations in our revenue and working capital and adversely affect our results of operations and financial condition.



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### **We could be penalized under client contracts if our solutions fail to meet certain performance criteria**

Our contracts with clients usually contain performance and progress penalty clauses linked to the quality and timely delivery of our services. Under the performance penalty clauses, if our solutions fail to attain any agreed performance parameters or meet a progress schedule, we would generally be subject to fines ranging from 0.1% to 1.0% of the total contract price for each unit of deviation, but normally within a cap of up to 5.0% of the total contract price. Under the progress penalty clauses, delay in the delivery of a solution typically would result in a fine ranging from 0.01% to 0.5% of the contract price per day, although, since 2006, our agreements typically provide for a cap on the fine of between 2.0% and 5.0% of the contract price. If we are alleged or found to be in breach of any of such performance or progress penalty clauses in the future, we could be subject to penalties. If our failure to attain performance parameters or meet progress schedules is persistent, our reputation could be adversely affected.

Further, our agreements with clients generally either provide for a retention fund of approximately 5.0% of the contract price to be retained by our clients or we obtain a bank guarantee of the equivalent sum in favor of our clients, until the expiry of our warranty period, which generally would be 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production. Bank guarantees taken out by us have been generally counter-guaranteed by pledges of our cash. As of December 31, 2009, 2010 and 2011 and June 30, 2012, approximately RMB0.2 million, RMB10.1 million, RMB4.5 million and RMB4.5 million, respectively, of our cash balances at banks were pledged to banks for issuance of bank guarantees in respect of retention funds. We cannot assure you that our retention funds will not be forfeited or bank guarantees will not be enforced by our clients in the event of a defect in our work, which could adversely affect our results of operations and financial condition.

### **We may fail to obtain financing to meet our liquidity needs and sustain our continued growth**

We may require additional capital resources to sustain our business strategy of expanding our operations through organic growth or investment in other entities or to respond to technological changes or expand into new markets. We expect to meet our funding needs through cash flow generated from operations, securities offerings, bank borrowings and other external financing sources. Our ability to obtain additional financing will depend on a number of factors, including our cash flow, results of operations and financial condition, China's economic conditions (including, but not limited to, the after-effects of a recently uncovered fraudulent lending scheme based in Wenzhou, Zhejiang Province), costs of financing (including changes in interest rates) and prevailing conditions in the capital markets, including, but not limited to, the effects of the general market downturn in the United States and Western Europe. We have not had any difficulties in obtaining credit facilities during the three years ended December 31, 2011 and up to the Latest Practicable Date, but, if we cannot obtain sufficient funding on acceptable terms in the future, we might not be able to successfully implement our business strategy, and our prospects could be adversely affected.

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### **We recorded net current liabilities as of June 30 and October 31, 2012 and we cannot assure you that we will not have net current liabilities in the future**

We had net current liabilities of RMB338.6 million as of June 30, 2012, and unaudited net current liabilities of RMB93.3 million as of October 31, 2012, respectively. During the three years ended December 31, 2011 and the six months ended June 30, 2012, other than the net current liabilities position as of June 30, 2012 discussed above, we did not have net current liabilities positions at the end of any financial statement period. However, we cannot assure you that we will not record a net current liabilities position in the future. If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms, or at all. Any such development could adversely affect our business, results of operations and financial condition.

### **We may not grow at a rate comparable to our growth rate in the past**

Although we plan to continue to expand our scale of operations through organic growth and investments in other entities, we might not grow at a rate comparable to our growth rate in the past, either in terms of revenue or profit. Our future growth is dependent on many factors, including, among other factors, growth of the petrochemicals, oil refining and coal-to-chemicals industries in China and abroad, the regulatory environment of these industries, the profitability and strategic focuses of our clients and our ability to implement our business strategy, particularly as it relates to our expansion into coal-to-chemicals and overseas markets, to effectively compete against existing and potential competitors and to improve our operational, financial, accounting and other internal systems and controls. Expansion of our business also requires capital commitments and could divert management resources away from our current business. There is no assurance that we can successfully implement our growth strategy or do so without straining our management resources, which could adversely affect our business, results of operations and financial condition. Any of the foregoing factors could limit our ability to grow in the future. Accordingly, our growth rate during the three years ended December 31, 2011 and the six months ended June 30, 2012 may not be indicative of our future performance.

### **We may not be successful in the implementation of our business plans**

Our business plans as described in “Business—Our Business Strategies” and “Future plans and use of proceeds”, including expansion of our business operations into coal-to-chemicals production facilities and in Southeast Asia, the Middle East, West Africa and Latin America are based on assumptions of future events that entail certain risks and are subject to inherent uncertainties such as changes in the petrochemicals, oil refining and coal-to-chemicals industries, availability of funds, sufficiency of manpower, competition, government policies and political, economic and military developments in the relevant jurisdictions. We cannot assure you that our plans will be implemented successfully or at all. Any failure or delay in the implementation of any or all of our plans could have an adverse effect on our business, results of operations, financial condition and prospects.

### **Rapid growth could strain our management and operating resources**

As a result of our growth, our operations have become increasingly complex, and our management’s responsibilities have correspondingly increased. Further growth, including

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further development of our international business, could place a significant strain on our managerial, operational and financial resources. If we fail to retain or identify and attract additional qualified management and operating personnel, our ability to successfully expand our scale of operations will be adversely affected.

Our ability to continue to manage this growth successfully may require us, among other things, to enhance our management, financial control and information technology systems, to implement additional internal controls, including financial and reporting procedures, and to hire and retain additional management and operating personnel, all of which may be costly and difficult to achieve. Further, our raw materials and equipment suppliers and sub-contractors may be unable to meet the increased demand for our services.

If we fail to manage our growth effectively or incur significant costs in an effort to do so, this could have an adverse impact on our business, results of operations or financial condition.

### **We rely on key management and technical personnel to keep abreast of technology advancement and market demands and to pursue our projects**

Our success is largely built on the expertise and experience of Mr. Hua, our founder, Chairman and executive Director, our senior management and certain other key technical and management personnel. Since our establishment in 1997, Mr. Hua has been primarily responsible for and involved in the day-to-day management of our Group. The relevant experience of our Directors and our senior management is set out in “Directors, Senior Management and Employees”. In particular, if we lose the services of members of our key management and technical personnel, and fail to find suitably skilled and experienced replacements, our business, results of operations and financial condition could be adversely affected.

Our continued success is also dependent on our ability to keep pace with the rapid advancement in technology relating to our business required to meet changes in our clients’ requirements and changing market demands. A key factor to this is our ability to continuously attract, recruit, train, retain and motivate experienced, qualified and talented professionals. The demand for such technical personnel is currently high and competition for such personnel from our competitors and clients could intensify. If we encounter difficulties in retaining or recruiting suitable skilled personnel on commercially reasonable terms or at all, our ability to pursue projects could be adversely affected and the costs of performing our existing and future projects could increase, which could adversely affect our competitiveness.

### **We require various approvals, licenses and qualification certificates to operate our business and failure to renew any approvals, licenses or qualification certificates that are crucial to our operations could adversely affect our business**

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and qualification certificates in order to operate our business. As of the Latest Practicable Date, we have obtained all relevant approvals, licenses and qualification certificates required for our operation of the business that we are currently engaged in. However, most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal. Out of our eight material licenses and qualification certificates, five of them will expire in 2013. See

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“Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Management of Contracting Qualification” for more details. We cannot assure you that we will be able to renew all of these licenses and qualification certificates that are crucial to our operations when they expire. If we cannot obtain and maintain all licenses and qualification certificates required by us to operate our business, our business could be interrupted or the continued operation of our business may incur fines and penalties, which could adversely affect our business, results of operations and financial condition.

### **We could be liable for the quality of our sub-contractors’ work and could be sued for service/product or other liability that arises from our sub-contractors’ work**

As a general contractor, we are responsible for the quality of construction work we are engaged to build under the Construction Law of the PRC, including compliance with PRC laws and regulations governing environmental protection, public work, health and safety. As we sub-contract construction work in the PRC to sub-contractors, we could be liable for breaches by our sub-contractors. We cannot assure you that the work performed by our sub-contractors will always meet the requisite standards. Our reputation and results of operations could be adversely affected if our sub-contractors fail to meet such standards and we are held ultimately liable for their work. Further, even if we are entitled to be indemnified by our sub-contractors in respect of losses suffered as a result of their actions or negligence, our ability to be fully indemnified from such losses will be dependent upon their financial resources. If we are unable to recover such losses, our business, results of operations and financial condition could be adversely affected.

Further, the quality and efficiency of our raw materials and equipment suppliers and sub-contractors have a direct impact on the overall quality of our solutions and the timeliness of their delivery. There is usually no contractual relationship between our clients and our suppliers or sub-contractors. Consequently, we would have to seek remedies from our suppliers or sub-contractors, as the case may be, if any service or product liability claim is made by our clients against us. In case of any such claim against us, even if it is not proven, our reputation could suffer and our business could be adversely affected. In addition, our resources could be strained by any claim that proceeds to litigation, irrespective of the merits of our case. We cannot assure you that claims of this nature, which could have an adverse impact on our business, results of operations, financial condition and reputation, will not be brought against us in the future.

### **Our ability to pay dividends will depend on our receipt of dividends from our subsidiaries**

As a holding company incorporated in the Cayman Islands with no operating assets, we rely on dividends and other distributions from Wison Technology, which derives its earnings and cash flow from dividends and other distributions from Wison Energy (HK), which derives its earnings and cash flow from dividends and other distributions from Wison Engineering and Wison Yangzhou, its PRC subsidiaries, and Wison Singapore. If Wison Engineering, Wison Yangzhou or Wison Singapore fails to pay cash dividends to Wison Energy (HK), which then fails to pay cash dividends to Wison Technology, our ability to receive cash dividends from Wison Technology could be adversely affected.

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The abilities of Wison Engineering, Wison Yangzhou and Wison Singapore to pay cash dividends to Wison Energy (HK) and then from Wison Energy (HK) to Wison Technology are subject to various legal, regulatory and contractual constraints. Further, as a Sino-foreign cooperative joint venture enterprise, Wison Engineering is required to allocate a portion of its profit to a reserve fund, an employee bonus and welfare fund and an enterprise development fund before it can pay any dividend to us. Also, Wison Yangzhou, as a wholly foreign-owned enterprise, or WFOE, is required to allocate a portion of its profit to a reserve fund and employee bonus and welfare fund before it can make dividend payments to us, and the allocation of the reserve fund may not be less than 10% of its after-tax profit until the total amount of such reserve fund reaches 50% of its registered capital. Further, if any of Wison Engineering, Wison Yangzhou or Wison Singapore incurs losses, it may not declare any dividends until the cumulative amount of such losses has been offset by profits.

While Wison Engineering and Wison Yangzhou have, in the past, paid cash dividends from time to time, the pattern might not be indicative of the amount of dividends Wison Technology will receive in the future. In particular:

- either Wison Engineering or Wison Yangzhou may conclude that it is in the best interest of its shareholders to retain earnings, if any, for use in the operation and expansion of its business. The shareholders or the board of directors of Wison Engineering and Wison Yangzhou have the power to determine whether to pay dividends based on conditions then existing, including their earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant; and
- the ability of Wison Engineering and Wison Yangzhou to declare and pay dividends is subject to the requirements of PRC law described above and covenants in their credit facilities and other loan agreements to which they are parties or guarantors.

For the reasons stated above, we cannot assure you that dividends of similar amounts or of similar percentages of profits will be declared in the future by either Wison Engineering or Wison Yangzhou.

### **We have limited insurance coverage**

Currently, we maintain general insurance coverage for workers' compensation and damage to our vehicles. However, we do not maintain public liability insurance, product/service liability insurance, business interruption insurance or any third party liability insurance to cover claims, suits and complaints incidental to our business that are not required under the current PRC laws. We have to date not brought any claims under our insurance policies for delays in project delivery or other matters covered by our insurance policies. If our solutions cause property damage or physical injury to any person, we would not be covered or compensated by insurance and could be liable for compensation. In addition, we could have to devote a significant amount of management's time and resources to defend any such potential claims and may ultimately be required to provide compensation. Our business, results of operations and financial condition could therefore be adversely affected.

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## RISK FACTORS

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### **We are subject to litigation risk**

We could be exposed to product liability, consumer, commercial, environmental or tax litigation, government investigations and other legal proceedings that arise from time to time in the ordinary course of our business. In addition, we may bring claims against project owners that include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, could be subject to lengthy and expensive litigation or arbitration proceedings.

Litigation is inherently unpredictable, and, if we are found liable, we could be subject to large damages or fines. Although we plan to vigorously defend our interests in any legal proceedings involving us, we could in the future be subject to judgments or enter into settlements of claims that could have an adverse effect on our business, results of operations and financial condition. Moreover, legal proceedings, whether or not resulting in judgments against us, may harm our business and our reputation, and may damage our prospects for future contract awards.

### **If unexpected equipment failures or accidents happen in our facilities or on our project sites, such incidents could lead to production curtailments, expose us to liability and harm our reputation**

Our operations are generally subject to significant operating risks, including unexpected equipment failures, industrial accidents and environmental hazards. These occurrences could result in damage to, or destruction of, our facilities or construction projects, personal injury or death, environmental damage, monetary losses or legal liability for which we are not insured.

Working at our project sites presents risks to our employees and contract laborers. We could be held liable for any on-the-job injuries and serious on-the-job injuries or accidents could happen at our project sites. If accidents happen, we could incur significant costs and suffer damage to our reputation and our business, results of operations and financial condition could be adversely affected.

### **Infringement of intellectual property rights can adversely affect our reputation and profitability**

Our patents and trade marks are important to our success and we rely on them to protect our proprietary technology and know-how. We have obtained various patents and trade mark registrations as set out in “Appendix VI—Statutory and General Information—Further information about our business—Intellectual property rights of our Group”. However, we may not have registered in time all the patents or intellectual property rights in respect of our independently developed technologies so as to receive protection for our intellectual property rights.

We are also licensed to use the trade marks “惠生”, “WISON” and **WISON** by Wison Holding, the registered owner of these trade marks, which may license or permit other Wison Entities that are not members of our Group to use the trade marks as well as any third party not in the scope of our business or outside our business territories. The details of our



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trade mark licensing arrangements are set out in “Connected Transactions—Trade mark Licensing”. In addition, third parties could unlawfully pass off their products as our products, counterfeit our products or otherwise infringe our intellectual property rights. There is also no assurance that we can prevent misappropriation or infringement of our patents or trade marks. Our reputation and ability to win contracts could be affected by such passing-off, counterfeiting or infringement, and our results of operations could in turn be adversely affected.

From time to time, our clients may instruct us to utilize certain technologies in the provision of our EPC services. However, we cannot assure you that our clients are the owners of such technologies or have obtained valid licenses or authorizations from the technology owners to use such technologies. If our clients do not own such technologies and have not obtained valid licenses from their owners, we may also be exposed to infringement or misappropriation claims, which, if determined adversely against us, could require us to pay damage awards, notwithstanding that we are protected by the general indemnity clause in contracts we enter into with our clients, under which we may claim for indemnification from our clients for any damage awards paid by us in relation to breaches by our clients.

The validity and scope of legal claims relating to the patents or know-how covering the proprietary components in our products and services involve complex scientific, legal and factual questions and analyses and, therefore, may have highly uncertain outcomes. We cannot assure you that we will not be subject to claims of patent infringement or other disputes of intellectual property rights in the future. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or services or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our clients or potential clients deferring or limiting their use of our products or services until resolution of such litigation.

Further, our use of patents and technologies that we have not registered in the PRC could potentially infringe the intellectual property rights of others if the same or substantially the same patents or technologies have been properly registered by other parties in the PRC. Claims from third parties with regard to intellectual property rights could be initiated against us and litigation could be necessary to determine the validity and scope of the proprietary rights of others, or to otherwise enforce our intellectual property rights. Defending or otherwise dealing with such infringement claims, whether with or without merit, could also be costly, time consuming and could divert management attention, as well as resources, away from our business. If the outcome of such litigation is not in our favor, we could be legally prevented from utilizing technology and know-how utilized by us in providing our products and services to our clients and the exclusivity and value of our products could be undermined. In such event, our business could be adversely affected. Even if we are successful in our defense, we cannot assure you that the costs and resources required will not have an adverse impact on our business, results of operations and financial condition.



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**We enjoy certain preferential tax treatments from the government of the PRC. Expiration of, or changes to, these preferential tax treatments could have an adverse effect on our operating results and the new Enterprise Income Tax Law could affect tax exemptions on dividends received by us and our Shareholders and increase our enterprise income tax rate**

Wison Engineering obtained a “high-technology enterprise” certificate in November 2008, which was renewed in October 2011, from competent authorities in accordance with the relevant regulations. According to the approval from its local taxation authority, Wison Engineering is entitled to a preferential tax rate of 15% as a high and new technology enterprise from January 1, 2009 to December 31, 2013. However, if Wison Engineering fails to renew the “high-technology enterprise” certificate when it expires or our currently available tax benefits become unavailable as a result of adjustment or change of the New EIT Law or other relevant income tax laws and regulations, and we are not entitled to any preferential tax rate thereunder, the effective income tax rate of our PRC subsidiaries could increase significantly, and such increase in the income tax rate could have an adverse effect on our business, results of operations and financial condition.

In addition, we were exempt from withholding tax on dividends we received from Wison Engineering and Wison Yangzhou before the enactment of the New EIT Law. Under the New EIT Law and its implementing regulations, withholding tax at the rate of 10% is normally applicable to dividends paid by foreign invested enterprises to foreign investors and there is no provision specifically exempting withholding tax on such dividends. Therefore, starting from January 1, 2008, except as otherwise provided by the agreement for avoidance of double taxation between the PRC and Hong Kong where the withholding tax rate is 5%, Wison Energy is subject to withholding tax at the rate of 10% on dividends it receives from Wison Engineering and Wison Yangzhou. Similarly, any gain realized on the transfer of shares by our investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

In addition, we are a Cayman Islands holding company and substantially all of our income is expected to come from dividends we receive from our subsidiary located in Hong Kong, Wison Energy (HK), which is a holding company for our PRC subsidiaries. If Wison Energy (HK) is considered a non-PRC resident enterprise, dividends that it receives from our PRC subsidiaries may be subject to withholding tax at a preferential rate of no more than 5% upon receiving approval from the local tax authority under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, effective on January 1, 2007. However, if Wison Energy (HK) is not considered to be the beneficial owner of our PRC subsidiaries pursuant to the tax notice promulgated on October 27, 2009, such dividends could be subject to withholding tax at a rate of 10%.

In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax, resources tax, property development tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, results of operations and financial condition.

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## RISK FACTORS

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### **Our operations could be adversely affected by present or future environmental, health and safety regulations**

Currently, the PRC government is moving toward more rigorous enforcement of applicable environmental, health and safety laws and regulations, and the adoption of more stringent environmental, health and safety standards. In addition, as we venture into international markets, we may be subject to other environmental, health and safety laws and regulations. Compliance with existing and future environmental, health and safety laws and regulations could result in substantial ongoing compliance costs and may also result in operating restrictions that could have an adverse effect on our business, results of operations and financial condition. Further, as a general contractor, we are responsible under PRC law for the quality of the construction work. As we subcontract construction work in the PRC to sub-contractors, we could be liable for breaches by them of environmental, health and safety laws. See “—We could be liable for the quality of our sub-contractors’ work and could be sued for service/product or other liability that arises from our sub-contractors’ work” above.

Wison Engineering is an EPC service provider and does not engage in the business of operating petrochemicals or coal-to-chemicals production facilities or oil refineries. However, Wison Yangzhou is engaged in the manufacturing of heat-resistant alloy pipes and ancillary accessories that results in the discharge of waste water. We are currently in compliance with applicable environmental, health and safety laws. See “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Environmental Protection” and “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Work Safety”. However, we cannot assure you that we will be in compliance with such laws in the future. If such laws are not complied with, we will be held responsible under applicable laws for required clean up or other actions at substantial cost. Such non-compliance could have an adverse effect on our business, results of operations and financial condition. Further, we cannot assure you that the PRC government will not adopt new environmental, health and safety laws that could affect our current or future business. If such laws are adopted and we violate such laws, our business, results of operations and financial condition could be adversely affected.

### **RISKS RELATING TO THE PRC**

#### **We could be affected by economic and political developments in the PRC**

Substantially all of our current business, assets and operations are located in the PRC and almost all of our sales for the three years ended December 31, 2011 and the six months ended June 30, 2012 were made to clients in the PRC. In spite of our aims to expand into overseas markets, we expect this trend to continue in the foreseeable future and, as such, our business, results of operations and financial condition are and could be significantly affected by the economic and political developments in the PRC.

The PRC economy differs from the economies of most developed countries in many aspects, including structure, government involvement, level of development, capital reinvestment, control of currency conversion, growth rate, rate of inflation and allocation of resources. The PRC economy is still undergoing the transition from a planned economy to a market-oriented economy. In recent years, the PRC government has implemented economic reforms that have resulted in market forces playing a more significant role in the allocation of

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resources and greater management autonomy for enterprises. However, many of the reforms implemented by the PRC government are still in their initial stages of development and require further refinement and revision. There is no assurance that any changes brought about by these economic reforms or macroeconomic control measures adopted by the PRC government will have positive effects on the economic development of the PRC. There is also no assurance that any measures taken or policies implemented by the PRC government will not adversely affect our business, results of operations and financial condition.

### **The expenditures of our clients are dependent on the PRC government's policies, planning and industry construction cycles**

Our clients' expenditures for the construction of oil refineries and petrochemicals and coal-to-chemicals production facilities in China are closely tied to the PRC government's policies, planning and industry construction cycles. Our current contracts are principally projects identified during the Eleventh Five-Year Plan (2006-2010). On October 18, 2010, China adopted the Twelfth Five-Year Plan (2011-2015), which, in addition to extending the policies and plans for the petrochemicals and oil refining industries under the Eleventh Five-Year Plan (2006-2010), also established goals to study the economy of coal-to-chemicals production and the course of appropriate development. Finally, most of our new contracts tend to be signed in the second half of any calendar year because our clients and the PRC government does not normally begin to review and approve budgets until after the Chinese New Year. Further, new projects could be delayed due to the need for approval at each level of governmental authorities. All of these factors could have an adverse impact on our business, results of operations and financial condition.

### **We could be affected by uncertainties in the legal system of the PRC**

The PRC's legal system is based on statutory law. Under this system, prior court decisions may be cited for reference but do not have any binding effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations relating to economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, despite such progress in the legal system of the PRC, the relevant laws, regulations and rules are subject to further advancement, and, because of the limited volume of published cases and the non-binding nature of prior court decisions, there are significant uncertainties concerning their interpretation and enforcement. These factors could have a negative impact on our business and results of operations and adversely affect our financial condition.

### **We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our worldwide income**

Under the New EIT Law, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise could be recognized as a PRC tax resident enterprise and thus could be subject to enterprise income tax at the rate of 25% on its worldwide income. Under the Implementation Rules, "de facto management bodies" is defined as those bodies that have, in substance, overall management control over the production and business, personnel, accounts and properties of an enterprise. There are

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no detailed guidelines issued by the State Administration of Taxation for determining the location of “de facto management bodies” in an offshore entity which is not controlled by a PRC enterprise or PRC group enterprise. If we are deemed a PRC tax resident enterprise, our Company will be subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), and our financial condition and results of operations could be adversely affected. If we are deemed a PRC tax resident enterprise, our historical operating results will not be indicative of our operating results for future periods and the value of our shares could be adversely affected. According to the New EIT Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the short history of the New EIT Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends Wison Energy receives from Wison Engineering and Wison Yangzhou would be exempted from enterprise income tax if we are recognized as a PRC tax resident.

### **We face uncertainty with respect to PRC tax liabilities in connection with direct and indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies**

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (an “Indirect Transfer”), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the foreign investor must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 due to the Reorganization and

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we may be required to expend resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have an adverse effect on our results of operations and financial condition.

On April 30, 2009, the Ministry of Finance and the State Administration of Taxation issued the Notice on Certain Issues Concerning the Handling of Enterprise Income Tax in Enterprise Restructuring (《關於企業重組業務企業所得稅處理若干問題的通知》) (Cai Shui [2009] No.59, “Circular 59”), which took effect retroactively on January 1, 2008. In accordance with Circular 59, where an enterprise is involved in a cross-jurisdiction equity or assets acquisition transaction between parties in mainland China and outside mainland China (including Hong Kong, Macau and Taiwan), special taxation provisions may be applied if all of the following requirements are satisfied: (i) (x) a non-resident enterprise transfers equity of a resident enterprise it owns to another non-resident enterprise under its sole and direct control, (y) no change is caused thereby to the subsequent withholding tax burden on such equity transfer income, and (z) the transferor non-resident enterprise makes a written commitment to the competent tax authority that it will not transfer the equity of the transferee non-resident enterprise it owns within three years; (ii) such transaction has a reasonable business purpose and its primary purpose is not the deduction, exemption or deferment of any tax payment; (iii) the proportion of the assets or equity purchased, merged or separated conforms to the proportion prescribed by Circular 59; (iv) the original substantive business activities are maintained for 12 consecutive months after the enterprise restructuring; (v) the amount of payment of equity interests involved in the consideration in restructuring conforms to the proportion prescribed by Circular 59; and (vi) the original main shareholders who have obtained the payment of equity interests in enterprise restructuring may not, within 12 consecutive months after the restructuring, transfer the equity obtained.

On November 2, 2008, Wison Technology entered into an agreement with Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou to Wison Energy (HK). This equity transfer was approved by the Yangzhou Foreign Trade and Economic Cooperation Bureau on December 3, 2008 and was registered with the Jiangsu Administration for Industry and Commerce on December 17, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to us.

In 2010, we submitted an application to the relevant tax authorities for the above equity transfer transactions to qualify for special tax treatment under Circular No.59. As of the Latest Practicable Date, the relevant authorities have not reverted on this application. As of December 31, 2011, we calculated our prospective tax liability in relation to the transfer of equity interests in Wison Yangzhou and made a provision of RMB4.4 million in our financial statements as of and for the year ended December 31, 2011 accordingly. The provision was based on a valuation of Wison Yangzhou performed by a PRC valuer. However, we cannot assure you that such provision will be sufficient to cover the full amount of our tax liability if the PRC tax authorities decline our application and we fail to obtain the special tax treatment under Circular No.59. In that case, our results of operations and financial condition could be adversely affected.



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### **We may be subject to penalties under relevant PRC laws and regulations due to failure to make full social security and housing fund contributions for our employees**

During the three years ended December 31, 2011 and the eight months ended August 31, 2012, Wison Yangzhou did not make full contributions to the social security and housing funds for all its employees. Wison Yangzhou did not pay, or was not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of its employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund system by its employees. In particular, according to relevant PRC laws and regulations, Wison Yangzhou is responsible for making contributions to the social security and housing fund on the basis of actual salary paid to its employees. As some of Wison Yangzhou's employees have houses in the nearby villages, they have been reluctant to make full housing fund contributions and have calculated the amount of their housing fund contributions on a basis that is lower than the salaries received by them. As Wison Yangzhou is required to make its portion of the housing fund contributions on the same basis as its employees, the amount of social security and housing fund contributions made by Wison Yangzhou for its employees were less than the amount required under the PRC laws and regulations. Nevertheless, the local government authority with oversight of Wison Yangzhou has issued a regulatory compliance certificate to Wison Yangzhou and, therefore, the risk of Wison Yangzhou being required to make a supplemental contribution or being imposed administrative penalties is low, and our PRC legal advisers have advised that they are of the view that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions. Wison Yangzhou's total outstanding amount of past social security obligations is approximately RMB3.3 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012 and the outstanding amount of past housing fund contributions is approximately RMB0.7 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012. Taking into account the outstanding amount of past social security and housing fund contributions, the receipt of compliance certificates from the local competent social security and housing fund authorities and the advice of our PRC legal advisers that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions, our Directors consider that adequate provisions have been made. Since October 2012, Wison Yangzhou has been making full contributions to the social security and housing funds for all its employees.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. Pursuant to the PRC Social Insurance Law promulgated in 2010, the relevant social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit; if the enterprise fails to do so by the expiration of the time limit, in addition to the outstanding contributions, a late-payment fine of 0.05% per day from the date when the amount became overdue may be imposed; if the enterprise fails to pay such contributions and late-payment within the time limit, a fine from one to three times the amount of overdue payment may be imposed.

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Notwithstanding Wison Yangzhou's failure to be in strict compliance with the relevant PRC regulations with respect to social security and housing fund contributions, the competent government authorities have confirmed our regulatory compliance in this regard. See "Business—Legal and Compliance—Social Security and Housing Fund".

Therefore, our PRC legal advisers are of the opinion that, although Wison Yangzhou's contribution is not in strict compliance with the relevant laws, the possibility that we will be required by local authorities to make payments for the outstanding social security contributions is remote as relevant competent social security and housing fund authorities have issued confirmation that Wison Yangzhou has duly contributed social security and housing funds for employees in accordance with national and local laws and regulations and the risk that such confirmations will be rebutted or invalidated by other government authorities is low since the confirmations regarding social security and housing fund are issued by the relevant and competent government authorities.

Between January 1, 2009 and the Latest Practicable Date, we have not received any notice from the relevant housing fund or social security authorities ordering us to make payments in respect of any outstanding contributions, nor were we aware of any employees' complaints or demands for payment of social security and housing fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the People's Courts regarding social security and housing fund contribution disputes.

Based on the foregoing, we have not made payments of any outstanding social security and housing fund contributions between January 1, 2009 and August 31, 2012. However, we cannot assure you that we will not be required to make payment in respect of outstanding contributions, and any related fines, in the future.

### **Investors could have difficulty in enforcing judgments in the PRC**

Substantially all of our assets are located in the PRC, and most of our Directors and executive officers reside in the PRC. As a result, it could be difficult for investors to effect service of process upon our Directors and executive officers. The PRC government recognizes and enforces judgments of foreign courts based on treaties that relate to the recognition and enforcement of foreign judgments and the principle of reciprocity with foreign countries. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it could be difficult for investors to enforce against our Company or our Directors in the PRC any judgments obtained from courts of a country that has not executed such treaty with the PRC or has not implemented the reciprocity principle.

### **Our financial condition is dependent on the strength of the Renminbi and could be adversely affected by unfavorable currency conversion and exchange controls**

We currently receive almost all of our revenue in Renminbi, which is not a freely convertible currency. Conversion of Renminbi is subject to strict control by the PRC government and the value of the Renminbi against other currencies could be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi in the local market.



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The current PRC foreign exchange legislation has significantly reduced the government's control over usual current account items, including trade- and service-related foreign exchange transactions and payment of dividends to foreign investors. Pursuant to the Foreign Exchange Control Regulations (《外匯管理條例》) and the Regulations on Foreign Exchange Settlement, Sale and Payments (《結匯、售匯及付匯管理規定》) of the PRC, after completion of the Global Offering, provided that certain procedural requirements are met, our PRC subsidiaries will be permitted to remit to their foreign holding company their share of profits in foreign currencies without the need to obtain the prior approval of SAFE. However, there is no assurance that such foreign exchange policy in relation to remittance of profits in foreign currency will continue to be in force in the future.

From 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, was based on the exchange rates set by the People's Bank of China that are set daily based on the previous business day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. From 1994 to July 2005, the official exchange rate for conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. As the foreign exchange of Renminbi is allowed to move in a managed way, there can be no assurance that the Renminbi will not further appreciate or that other measures will not be introduced to address the concerns of the PRC's trading partners. Moreover, we cannot assure you that such exchange rate will continue to remain stable in the future. Since our income and profits are denominated in Renminbi, a portion of which must be converted into other currencies to meet our foreign currency obligations, depreciation in the value of the Renminbi could adversely affect our business and financial condition, and the value of, and any dividends payable on, the Shares.

### **Changes in PRC government policy on foreign investment in the PRC could adversely affect our business and results of operations**

Wison Engineering and Wison Yangzhou are foreign-owned enterprises under PRC law and are subject to foreign investment restrictions imposed by the PRC government from time to time. For instance, under the Foreign Investment Industrial Guidance Catalog (the "Catalog"), some industries are categorized as sectors that are encouraged, restricted or prohibited for foreign investment.

According to the latest version of this Catalog, which became effective on January 30, 2012, neither Wison Engineering nor Wison Yangzhou is within the prohibited or restricted category. As this Catalog is updated every few years, we cannot assure you that the PRC government will not change its policies in a manner that could cause part or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in businesses that become restricted for foreign investors, we could be forced to sell or restructure the businesses that have become restricted or prohibited for foreign investment.

If we are forced to adjust our business as a result of changes in government policy on foreign investment, our business, results of operations and financial condition could be adversely affected.

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### **Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions**

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (《個人外匯管理辦法實施細則》) (the “Individual Foreign Exchange Rules”), issued on January 5, 2007 by SAFE, and relevant guidance issued by SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. On February 15, 2012, SAFE issued the Notice on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Equity Incentive Plans of Overseas Listed Companies (Hui Fa [2012] No.7, “Circular 7”), which replaced the Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies, issued in 2007. Circular 7 frames a set of general requirements on the participation of PRC citizens in employee share option plans of overseas listed companies. However, no detailed administrative rules have been issued by SAFE in connection with the registration process and therefore the requirements of the local branches of SAFE vary significantly. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizens or exchanged into Renminbi. We adopted the Pre-IPO Share Option Scheme on November 30, 2012 and have granted certain options to a number of our employees and other individuals. Our PRC citizen employees who have been granted share options or restricted share units will be subject to the Individual Foreign Exchange Rules upon our Listing. If we or our PRC option holders fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal or administrative sanctions. In particular, pursuant to relevant PRC foreign exchange laws and regulations, including the Foreign Exchange Control Regulations, the Implementation Measures of Individual Foreign Exchange Rules and Circular 7, a PRC option holder must select a domestic institution (the “Domestic Agency”) through the PRC company he or she works for to handle all relevant foreign exchange matters on his or her behalf. The Domestic Agency could be a PRC company involved in the equity incentive plan or a PRC institution qualified to act as an asset custodian, selected by the PRC company. If the Domestic Agency or the PRC company fails to comply with relevant PRC foreign exchange rules, or if the PRC option holders fail to comply with relevant PRC foreign exchange rules upon our Listing, the Domestic Agency or the PRC company could be subject to a fine of no more than RMB300,000 and the PRC option holders could be subject to a fine of no more than RMB50,000.

### **Our operations could be adversely affected by acts of God, war, terrorist attacks and contagious diseases**

Our business is affected by the general economic conditions in the PRC and other parts of the world. Acts of God such as natural disasters and outbreaks of highly-contagious diseases such as atypical pneumonia, Severe Acute Respiratory Syndrome, avian flu and swine flu are beyond our control and could adversely affect the economy, infrastructure and livelihood of people in the PRC and other parts of the world. Our business and results of

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## RISK FACTORS

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operations could be adversely affected if such acts of God and/or outbreaks occur or intensify.

Wars, terrorist attacks and other hostilities could also cause damage or disruption to our operations. During the three years ended December 31, 2011 and the six months ended June 30, 2012, approximately 12.0%, 25.0%, 10.0% and 8.7% of our purchases were sourced from Europe and the U.S. Potential war and terrorist attacks involving Europe and the U.S. could adversely affect the supplies from Europe and the U.S. and in turn adversely affect our results of operations. Generally, there can be no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on our business, results of operations and financial condition.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **There is no assurance on the liquidity or price stability of our Shares**

There may not be an active trading market for our Shares and their trading price could also fluctuate substantially. Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Global Offering. In addition, we cannot assure you that an active trading market for our Shares, if it does develop, will be sustained following the completion of the Global Offering, or that the market price of our Shares will not fall below the Offer Price.

The trading price of our Shares could also be subject to significant volatility in response to, among other factors, the following:

- investor perceptions of us and our future plans and prospects;
- variations in our operating results;
- technological advances;
- changes in competition faced by us in the PRC;
- changes in our senior management and other key personnel;
- general economic and other factors; and
- there has been no public market for our Shares prior to the Global Offering, and the liquidity and market price of our Shares may be volatile.

#### **Future sales or perceived sales of substantial amounts of our Shares in the public market could have an adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future**

The market price of our Shares could decline as a result of future sales or issuances of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the perception that such sales or issuances could occur. Future sales, or perceived

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## RISK FACTORS

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sales, of substantial amounts of our Shares could also adversely affect our ability to raise capital in the future at a time and at a price that we deem appropriate. In addition, our Shareholders could experience dilution in their holdings to the extent we issue additional securities in future offerings.

### **Statistics from official government sources might not be entirely reliable**

Statistical and other information relating to the PRC and the petrochemicals, oil refining and coal-to-chemicals industries contained in “Industry Overview” have been compiled from various official government sources. Although reasonable steps have been taken by our Directors to ensure that such statistics and information were extracted accurately from such sources, neither we, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy or completeness of such official statistics and information. There is no assurance that statistics derived from multiple official sources will be prepared on a comparable basis or that such statistics and information will be stated or prepared in the same standard or level of accuracy as, or consistent with, those in other official publications within or outside the PRC. Accordingly, such statistics and information might not be accurate and should not be relied upon unduly.

### **There could be uncertainties with respect to the interpretation or implementation of certain PRC government regulations that could relate to the conduct of the Global Offering.**

On August 8, 2006, six PRC regulatory agencies, namely MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation (“SAT”), the State Administration for Industry and Commerce, the China Securities Regulatory Commission (“CSRC”) and SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective on September 8, 2006 (the “M&A Rules”). The M&A Rules require, among other things, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. The M&A Rules further require an offshore special purpose vehicle (a “SPV”) such as our Company, formed for listing purposes and controlled directly or indirectly by PRC companies or residents, to obtain the approval of CSRC prior to the listing and trading of such SPV’s securities on an overseas exchange. On September 21, 2006, CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. Based on its understanding of current PRC laws and regulations, our PRC legal advisers have advised us that we had already obtained all necessary approvals from the relevant PRC authorities for our offshore reorganization completed prior to the effective date of the M&A Rules, and the M&A Rules do not apply retroactively. Therefore, no MOFCOM approval should be required for the Corporate Reorganization and no CSRC approval should be required for our Listing. However, there could be uncertainties as to how the M&A Rules will be interpreted or implemented by the PRC government. Contrary interpretation by the PRC government could have an adverse effect on our Company.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

### MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are located, managed and conducted in the PRC. For the purpose of the Listing, we have established a place of business in Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Upon the Listing, there will be three executive Directors and three independent non-executive Directors. However, save for (i) one of the three independent non-executive Directors, Mr. Choy Sze Chung Jojo (“Mr. Choy”); and (ii) our Company Secretary, Ms. Luk Wai Mei (“Ms. Luk”), who ordinarily reside in Hong Kong, all of our other executive and independent non-executive Directors and senior management reside in the PRC. We do not have, and do not contemplate in the foreseeable future that we will have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules on the following grounds:

- (a) our core business and operations are located in the PRC since our establishment;
- (b) members of our senior management staff are mainly located in the PRC;
- (c) our overall management and operation has been under the supervision of Mr. Hua, our founder and one of our three executive Directors, for many years. Mr. Liu Haijun (“Mr. Liu”), one of the other two executive Directors, is responsible for supervising the operation of Wison Engineering. Mr. Chen Wenfeng (“Mr. Chen”), the remaining executive Director, is the chief financial officer of our Company. Each of Mr. Hua, Mr. Liu and Mr. Chen has a vital role in our business and it is necessary for them to remain close to our operation in the PRC; and
- (d) the appointment of additional executive Directors who are ordinary residents in Hong Kong or the relocation of our executive Directors to Hong Kong would not only increase our administrative expenses, but would also draw upon key management resources that would otherwise be necessary in the PRC to manage our business.

Due to the above reasons, we consider that appointment of any additional executive Director who is or will be ordinarily resident in Hong Kong or the relocation of our executive Directors to Hong Kong will not be beneficial to or appropriate for us.



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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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The Stock Exchange has granted a waiver to us from compliance with Rule 8.12 of the Listing Rules on the condition that we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

1. we will appoint two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communications with the Stock Exchange and ensure that we comply with the Listing Rules at all times. The two authorized representatives to be appointed are Mr. Chen and Ms. Luk (the “Authorized Representative(s)”) and the alternate authorized representative to Mr. Chen is Mr. Hua (who is our executive Director). Each of them will be available to meet the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Both Mr. Chen and Ms. Luk will be the first contact persons to facilitate the communications between us and the Stock Exchange;
2. as and when the Stock Exchange wishes to contact our Directors on any matters, each of the Authorized Representatives (including the alternate authorized representative) will have means to contact all of our Directors promptly at all times. Our Company will implement such measures that (a) each Director must provide his mobile phone numbers, office phone numbers, email addresses and fax numbers to the Authorized Representatives (including the alternate authorized representative) and (b) in the event that a Director expects to travel and or otherwise be out of office, he will provide the phone number of the place of his accommodation to the Authorized Representatives (including the alternate authorized representative);
3. meetings with the Stock Exchange and our Directors can be arranged through the Authorized Representatives (including the alternate authorized representative), or directly with our Directors with reasonable notice. Each of our Directors who is not ordinarily resident in Hong Kong holds valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time as and when required;
4. our Company will appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will, among other things, act as our additional principal channel of communication with the Stock Exchange for a period commencing on the date of Listing until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year following the Listing. The compliance adviser will have access at all times to the Authorized Representatives (including the alternate authorized representative), our Directors and the other senior management staff of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company;
5. each of our Directors and the Authorized Representatives (including the alternate authorized representative) of our Company will provide his/her office phone number, mobile phone number, fax number and e-mail address to the Stock Exchange. They will be contactable at their mobile phone numbers at all times; and



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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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6. apart from Ms. Luk, Mr. Choy (one of the three independent non-executive Directors) ordinarily resides in Hong Kong and is readily contactable.

### PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include details of the number, description and amount of any of the shares in or debentures of our Company which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given. On November 30, 2012, our Company granted Pre-IPO Share Options to 542 persons to subscribe for an aggregate of 197,923,000 Shares, representing 4.95% of the total number of Shares in issue immediately following completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme or the Over-allotment Option) on the terms set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VI to this prospectus. Our Company has applied to the Stock Exchange and the SFC respectively for and has been granted (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance.

Our application to the SFC is based on the ground that strict compliance with the requirements would be unduly burdensome for our Company and non-compliance with the disclosure requirements will not prejudice the interest of the investing public for the following reasons:

- (a) the number of grantees involved is very large (542 grantees in total). If the full list of grantees were to be included in this prospectus, many additional pages would have to be inserted, causing this prospectus to be unnecessarily voluminous;
- (b) all material information of the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make an informed assessment of the activities and financial position of our Company have been included in this prospectus; and
- (c) the total number of Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme represents approximately 4.95% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme). The grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact on the financial position of our Company.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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Our application to the Stock Exchange is based on the ground that strict compliance with the requirements would be unduly burdensome for our Company for the following reasons:

- (a) the total number of Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme represents approximately 4.95% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme). The grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact on the financial position of our Company;
- (b) all material information of the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make an informed assessment of the activities and financial position of our Company have been included in this prospectus. Non-compliance with the disclosure requirements will not prejudice the interest of the investing public; and
- (c) the number of grantees involved is very large (542 grantees in total).

The Stock Exchange has granted to our Company a waiver under the Listing Rules on condition that:

- (i) on an individual basis, full details of the Pre-IPO Share Options granted to each of our Directors, members of the senior management of our Group and connected persons of our Group and grantees who were granted options to subscribe for more than 1,000,000 Shares under the Pre-IPO Share Option Scheme are disclosed in “Appendix VI—Pre-IPO Share Option Scheme”, as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (ii) for the remaining grantees, disclosure is made, on an aggregate basis, of (1) their aggregate number of grantees and the number of Shares underlying the Pre-IPO Share Options; (2) the consideration paid for the Pre-IPO Share Options; and (3) the exercise period and exercise price of the Pre-IPO Share Options;
- (iii) there are also disclosures in this prospectus for the aggregate number of Shares underlying the Pre-IPO Share Options and the percentage of our Company’s issued share capital represented by them;
- (iv) the dilutive effect and impact on earnings per Share upon full exercise of the Pre-IPO Share Options are disclosed in “Appendix VI—Pre-IPO Share Option Scheme”; and
- (v) a full list of all the grantees who have been granted the Pre-IPO Share Options, containing all the details as required under Rule 17.02(1)(b) of and paragraph 27

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for public inspection in accordance with the arrangement as set out in Appendix VII.

The SFC has granted to our Company the exemption under the Companies Ordinance on condition that:

- (i) on an individual basis, full details of the Pre-IPO Share Options granted to each of our Directors, members of the senior management of our Group and connected persons of our Group and grantees who were granted options to subscribe for more than 1,000,000 Shares under the Pre-IPO Share Option Scheme, are disclosed in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VI to this prospectus, as required by paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (ii) for the remaining grantees, disclosure is made, on an aggregate basis, of (1) their aggregate number of grantees and the number of Shares underlying the Pre-IPO Share Options; (2) the consideration paid for the Pre-IPO Share Options; and (3) the exercise period and exercise price of the Pre-IPO Share Options; and
- (iii) a full list of all the grantees who have been granted the Pre-IPO Share Options, containing all the details as required in paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, is made available for public inspection in accordance with the arrangement as set out in Appendix VII to this prospectus.

### CONNECTED TRANSACTIONS

We have entered into and are expected to continue certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers in relation to certain continuing connected transactions between our Group and certain connected persons under Chapter 14A of the Listing Rules. For further details, see “Connected Transactions”.

### PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer’s total issued share capital must at all times be held by the public. We have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has agreed to exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of 20.61% of our total issued share capital. In addition, we have undertaken:

- (i) that the minimum public float should be at least (a) 20.61%; or (b) if and to the extent the Over-allotment Option is exercised, such higher percentage taking into account the number of Over-allotment Shares issued upon the earlier of (A) the full exercise of the Over-allotment Option and (B) the expiry of the Over-allotment Option;
- (ii) to make appropriate disclosure of the lower prescribed public float percentage in this prospectus;

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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- (iii) to confirm the sufficiency of such public float in successive annual reports after the Global Offering; and
- (iv) to implement appropriate measures and mechanisms to ensure continual maintenance of the minimum public float percentage. In the event that the percentage of our total issued share capital in public hands falls below the minimum public float percentage of 20.61%, our Directors and the Controlling Shareholders will take appropriate steps, which may include a further issue of equity and/or the placing of some Shares by the Controlling Shareholders (and/or their associates) to Independent Third Parties, to ensure the minimum public float percentage prescribed by the Stock Exchange is complied with.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering", and the procedures for applying for Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Application Forms.

### **RESTRICTIONS ON SALE OF OFFER SHARES**

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers for the Offer Shares described in this prospectus.

No action has been taken to permit a public offer of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the authorization to list, and the permission to deal in, our Shares in issue and the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares that are issued pursuant to the Capitalization

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Issue and any Shares which may fall to be issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by Appleby Trust (Cayman) Ltd. in the Cayman Islands. Our Company's branch register of members in Hong Kong will be maintained by our Hong Kong Share Registrar.

Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

You may find the application procedures for our Public Offer Shares in "How to Apply for Public Offer Shares" and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

You may find details of the structure of the Global Offering, including its conditions and details of the Over-allotment Option and stabilization, in "Structure of the Global Offering".

### **OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Offer Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, amounts denominated in Renminbi have been translated, for the purpose of illustration only, into Hong Kong dollars in the section “Use of Proceeds” of this prospectus at the following PBOC Rate on November 30, 2012:

HK\$1.00: RMB0.8115

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the rates disclosed in this prospectus or any other rates or at all.

### **LANGUAGE**

If there is any inconsistency between the English prospectus and the Chinese translation prospectus, the English prospectus will prevail. If there is any inconsistency between the names of any of the entities, PRC laws and regulations, certificates, titles, natural persons and facilities mentioned in this prospectus that are not in the English language and their English translations, such foreign language names will prevail and vice versa.

### **ROUNDING**

Unless otherwise stated, all numerical figures are rounded to the nearest decimal place. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### **WEBSITES**

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b><i>Executive Directors</i></b>		
Hua Bangsong (華邦嵩)	101, No. 28, Lane 188, Mingyue Road, Pudong New Area, Shanghai, PRC.	Chinese
Liu Haijun (劉海軍)	Room 202, No. 29, Lane 728, Changdao Road, Pudong New Area, Shanghai, PRC.	Chinese
Chen Wenfeng (陳文峰)	Room 302, Building No. 6, No. 77, Lane 569, Xinhua Road, Changning District, Shanghai, PRC.	Chinese
<b><i>Independent non-executive Directors</i></b>		
Choy Sze Chung Jojo (蔡思聰)	Flat B, 15/F, Evelyn Tower, 38 Cloud View Road, North Point, Hong Kong.	Chinese
Liu Ji (劉吉)	No. 35, Lane 688, Qingxi Road, Changning District, Shanghai, PRC.	Chinese
Wu Jianmin (吳建民)	No. 801, Door 1, Building 2, Compound A28, Guangqumenwai Avenue, Chaoyang District, Beijing, PRC.	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Global Coordinators

Citigroup Global Markets Asia Limited  
50th Floor, Citibank Tower, Citibank Plaza,  
3 Garden Road,  
Central,  
Hong Kong.

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre,  
1 Austin Road West,  
Kowloon,  
Hong Kong.

BOCOM International Securities Limited  
9/F, Man Yee Building,  
68 Des Voeux Road Central,  
Hong Kong.

#### Joint Sponsors

Citigroup Global Markets Asia Limited  
50th Floor, Citibank Tower, Citibank Plaza,  
3 Garden Road,  
Central,  
Hong Kong.

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre,  
1 Austin Road West,  
Kowloon,  
Hong Kong.

BOCOM International (Asia) Limited  
9/F, Man Yee Building,  
68 Des Voeux Road Central,  
Hong Kong.

#### Joint Bookrunners and Joint Lead Managers

Citigroup Global Markets Asia Limited  
50th Floor, Citibank Tower, Citibank Plaza,  
3 Garden Road,  
Central,  
Hong Kong.

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre,  
1 Austin Road West,  
Kowloon,  
Hong Kong.

BOCOM International Securities Limited  
9/F, Man Yee Building,  
68 Des Voeux Road Central,  
Hong Kong.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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UBS AG, Hong Kong Branch  
52/F, Two International Finance Centre,  
8 Finance Street,  
Central,  
Hong Kong.

CITIC Securities Corporate Finance (HK) Limited  
26/F, CITIC Tower,  
1 Tim Mei Avenue,  
Central,  
Hong Kong.

### **Legal advisers to the Company**

*As to Hong Kong law and U.S. law*  
Cadwalader, Wickersham & Taft LLP  
in association with  
Joseph P. C. Lee & Associates  
27th Floor, 100QRC,  
100 Queen's Road Central,  
Hong Kong.

*As to Cayman Islands law*  
Appleby  
2206-19 Jardine House,  
1 Connaught Place,  
Central,  
Hong Kong.

*As to PRC law*  
Beijing Jia Yuan Law Firm  
F408, Ocean Plaza,  
158 Fuxing Men Nei Avenue,  
Xicheng District,  
Beijing 100031,  
PRC.

### **Legal advisers to the Joint Sponsors and Underwriters**

*As to Hong Kong law and U.S. law*  
Linklaters  
10th Floor, Alexandra House,  
18 Chater Road,  
Central,  
Hong Kong.

*As to PRC law*  
Haiwen & Partners  
21/F, Beijing Silver Tower,  
2 Dongsanhuanbei Road,  
Chaoyang District, Beijing 100027,  
PRC.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Auditors and reporting accountants</b>	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
<b>Property valuer</b>	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.
<b>Independent industry consultant</b>	CMAI (Shanghai) Limited Suite 404, Building B, Golden Eagle Mansion, No.1518, Minsheng Road, Pudong New Area, Shanghai 200135, PRC.
<b>Receiving banker</b>	Bank of China (Hong Kong) Limited 1 Garden Road, Central, Hong Kong.

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## CORPORATE INFORMATION

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<b>Registered office</b>	Clifton House, 75 Fort Street, P.O. Box 1350, George Town, Grand Cayman, KY1-1108, Cayman Islands.
<b>Global headquarters, principal place of business and head office in the PRC</b>	1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai 201203, PRC.
<b>Principal place of business in Hong Kong</b>	Room 5007, 50th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.
<b>Company's website address</b>	<a href="http://www.wison-engineering.com">www.wison-engineering.com</a> <i>(Information on this website does not form part of this prospectus)</i>
<b>Company Secretary</b>	Luk Wai Mei (陸慧薇) <i>MPA, BBA(Hons), CPA, CPA(Aust), ACS, ACIS</i> Flat 16, 3/F, 41 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong.
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<b>Remuneration Committee</b>	Liu Ji (劉吉) ( <i>Chairman</i> ) Wu Jianmin (吳建民) Hua Bangsong (華邦嵩)
<b>Nomination Committee</b>	Wu Jianmin (吳建民) ( <i>Chairman</i> ) Choy Sze Chung Jojo (蔡思聰) Hua Bangsong (華邦嵩)
<b>Authorized Representatives</b>	Chen Wenfeng (陳文峰) Room 302, Building No. 6, No. 77, Lane 569, Xinhua Road, Changning District, Shanghai, PRC.



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**Hong Kong Share Registrar**

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## **CORPORATE INFORMATION**

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## INDUSTRY OVERVIEW

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*Certain information and statistics presented in this Industry Overview have been based on or derived from an industry report prepared by CMAI (Shanghai) Limited, an industry consultant (“CMAI”) dated September 6, 2012 (the “CMAI Report”). The CMAI Report is based on its in-house database, independent third party reports, publicly available data from government or industry publications and data provided by us. CMAI has advised that (i) certain information in its database is derived from estimates by public and industry sources; (ii) where necessary, CMAI contacts companies operating in the industry to gather and synthesize information about markets, prices and other relevant information; (iii) the information in the database of other petrochemicals data collection agencies or other sources may differ from the information in CMAI’s database; (iv) information contained in the CMAI Report is based on data available at the time of data collection and may be subject to change from time to time, where such changes may not be known to CMAI; and (v) forecasts, forward looking statements, calculations based on assumptions and other public sources are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen by CMAI. The information contained in the CMAI Report has been obtained from sources believed by CMAI to be reliable, certain information from government or industry publications is unavoidably subject to assumptions and estimates made by third parties and such information has not been independently verified by CMAI. The information extracted from the CMAI Report reflects an estimate of the market conditions based on CMAI’s research and analysis at the time of preparation of the CMAI Report. The information extracted from the CMAI Report should not be viewed as a basis for investments provided by CMAI and references to the CMAI Report should not be considered as CMAI’s opinion as to the value of any security or the advisability of investing in our Company. In no event will CMAI be liable for indirect, special, punitive or consequential damages of any kind or nature whatsoever, suffered by the other party.*

## GLOBAL OIL REFINING AND PETROCHEMICALS INDUSTRY OVERVIEW

### Global Oil Refining Market Overview

Oil refining, together with production of petrochemicals, is generally considered as the downstream component of the petroleum industry. It is a process where crude oil is processed and refined into more useful petroleum products, which can be grouped into three categories: (i) light distillates, including liquefied petroleum gas, gasoline and naphtha; (ii) middle distillates, including kerosene and diesel; and (iii) heavy distillates and residuum, including heavy fuel oil, lubricating oils, wax and asphalt. The global refining sector has seen positive trends recently supported by global oil demand and economic growth, led in particular

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## INDUSTRY OVERVIEW

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by Asia. CMAI estimates that global refining capacity amounted to 4.6 billion tons in 2011, and is expected to increase to an average of 5.4 billion tons per year by 2020.

### **Global Petrochemicals Market Overview**

Petrochemicals are further downstream in the value chain of the petroleum industry than refined oil products, as feedstock used in the production of petrochemicals is predominantly based on naphtha, a distillation product from the oil refining process. Besides naphtha, natural gas is also widely used as an alternative feedstock, especially in gas rich countries and regions, such as the Middle East, for petrochemicals production. Petrochemical products can broadly be classified into two categories (i) olefins, including ethylene and propylene, and (ii) aromatics, including benzene, toluene and xylene isomers, which can be further processed to manufacture thousands of downstream petrochemical products used in daily life. The petrochemicals industry is a global industry with revenues of approximately US\$3.7 trillion in 2011 as estimated by CMAI.

According to CMAI, the petrochemicals industry experiences cycles that can coincide or slightly lag behind the economic cycles of regional or global economies. The cycles in the petrochemicals industry are characterized by periods of tight production supply, when demand for petrochemicals is strong in the booming phase of an economic cycle, leading to high operating rates and higher margins for petrochemicals producers. The period of high demand and higher margins is typically followed by periods of increased investment in capacity additions, which may result in an oversupply of petrochemicals, leading to reduced operating rates and profit margins, before changes in economic conditions prompt the next cycle.

### **Global Ethylene Market Overview**

Ethylene is a key petrochemicals building block that is used to produce many midstream and downstream petrochemical products, such as polyethylene, PVC, styrene and ethylene glycol. These chemicals are, in turn, essential materials for the manufacture of products used in daily life including synthetic rubbers (plastics), synthetic fibers, synthetic resins, textiles, chemical fertilizers, agricultural plastic films and insecticides. Given the importance of ethylene in the petrochemicals value chain and the technology complexity required for its production, ethylene capacity is viewed as a strong indicator for assessing the level of development of a country's petrochemicals industry.

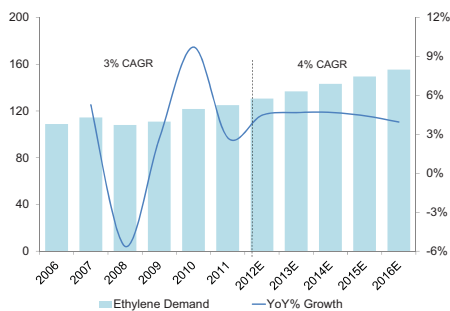
In 2008, global ethylene demand contracted by 5.6%, partly due to the global financial crisis, but recovered to pre-crisis levels in 2010, as estimated by CMAI. CMAI estimates that global ethylene demand grew by 3.0% during 2011. Between 2012 and 2016, CMAI expects further demand growth supported by the continued economic recovery. During the same period, CMAI expects China and the Middle East to continue to be the largest drivers of global ethylene demand growth, while the Indian subcontinent, Southeast Asia and Africa are also expected by CMAI to achieve higher growth rates than the global average.

On the supply side, significant new ethylene cracker capacity came on line in the Middle East and China between 2008 and 2011, according to CMAI. This increase in ethylene supply, however, has yet to affect the olefins markets due to better than expected Asian demand growth and delays in the actual production time on a number of new ethylene

## INDUSTRY OVERVIEW

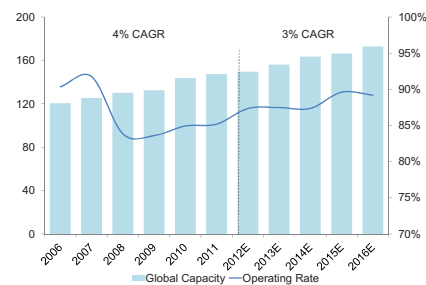
production facilities. Nevertheless, the effect of the increase in capacity is expected to permeate the market in 2012, resulting in significant increases in the supply of ethylene, as estimated by CMAI. However, CMAI also expects the demand for ethylene will grow and catch up to the increase in supply by 2013. As a result, CMAI expects ethylene producers to experience improved operating rates between 2014 and 2015.

**Global Ethylene Demand**  
(in million metric tons)



Source: CMAI

**Global Ethylene Capacity**  
(in million metric tons)



Source: CMAI

Ethylene complexes consist of multiple processing units, including an ethylene cracker, storage and tanks, utilities systems and infrastructure such as roads, buildings and laboratories that turn feedstock into olefins and further into other chemicals, such as polyolefins and other chemical derivatives. CMAI estimates that the cost of a modern, world-scale ethylene complex is typically in the range of US\$3.0 billion to US\$6.0 billion, depending on the configuration and whether the project is brown-field or green-field. An ethylene cracker is a processing unit that takes feedstock, such as naphtha, and converts it into olefins (ethylene and propylene) and other by-products and is commonly viewed as the most technically complicated process unit in the whole ethylene complex. An ethylene cracker comprises an ethylene furnace and other equipment such as compressors, pumps, vessels, distillation towers, heat exchangers, pipelines and peripheral/safety/control systems. The ethylene furnace is the core unit of an ethylene cracker and typically accounts for approximately 30.0% of its cost. The investment cost for a one Mtpa ethylene cracker is typically in the range of US\$800 million to US\$900 million, as estimated by CMAI.

### Price of Products

We believe that the market prices for the products produced by the facilities that we design and/or construct, such as ethylene, propylene, methanol and olefins, do not typically have any direct correlation to the level of demand for our services. The correlation between oil and gas and its downstream products' price cycles and EPC business activities is not strong in the markets in which we currently operate and expect to operate in the future, such as the PRC, Southeast Asia, the Middle East and Latin America, due primarily to the following reasons: (i) most of the countries in these regions are developing countries that, regardless of any price volatility, require a steady supply of resources to support their growing economies; (ii) some of these countries are also continuing to develop their petroleum downstream industry and expansion capital expenditure may not fluctuate in direct response to price changes in end products; and (iii) projects may take between three and five years from conception to implementation, and any short term volatility in product prices may not affect capital expenditure.

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## INDUSTRY OVERVIEW

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### CHINA'S REFINING AND PETROCHEMICALS INDUSTRY OVERVIEW

According to Oxford Economics and Economist Intelligence Unit Limited, China's GDP and energy demand is expected to continue to grow from 2012 to 2020.

#### China's Oil Refining Market Overview

China's demand for refined oil products has experienced steady growth in the past decade, increasing from 175.0 Mtpa in 2000 to 377.0 Mtpa in 2011, representing a CAGR of 7.2%, as estimated by CMAI. The increase in demand for refined oil products has been driven principally by growth in transport fuels. Nevertheless, the proportion of China's energy demand attributable to transport fuels was only 7.7% in 2009, as compared to 28.6% in the United States, according to the U.S. Energy Information Administration, reflecting the fact that China's use of vehicles is still low in relation to its population size, where its number of vehicles per capita was 0.047 as of 2009, as compared to 0.802 in the United States, according to the World Bank.

China has been increasing its oil refining capacity and refined oil product supply to meet its growing demand. According to Sinodata Consulting, China's total oil refining capacity was 283.0 Mtpa in 2000, 395.0 Mtpa in 2005 and 542.0 Mtpa in 2011, representing a CAGR of 6.1% from 2000 to 2011, compared to a demand CAGR of 7.2% in the same period. During late 2008 and early 2009, there was a slowdown in the growth of demand due to the global financial crisis; however, CMAI expects demand for refined products to pick up in this decade with a CAGR of 3.6% during 2011-2021. Refining capacity is expected to increase from 542.0 Mtpa in 2011 to 940.0 million tons by 2021, representing a CAGR of 5.7%, as estimated by CMAI.

Sinopec and PetroChina are the two major PRC oil refining companies, supplying 43.2% and 33.3% of China's oil refining capacity in 2011, respectively, while CNOOC, Shaanxi Yanchang Petroleum (Group) Corp. Ltd. and Sinochem Group provided the remaining approximately 23.5% in aggregate of China's oil refining capacity in 2011, as estimated by CMAI.

#### China's Petrochemicals Market Overview

China is one of the largest petrochemicals markets in the world in terms of both production capacity and consumption, as estimated by CMAI. According to the China National Bureau of Statistics, China's petrochemicals sector was its third largest industry, behind textiles and machinery, in 2010.

The three key state-owned petrochemicals producers that dominate China's ethylene industry are Sinopec, PetroChina and CNOOC, accounting for 63.0%, 23.6% and 6.4% of China's ethylene production capacity in 2011, respectively, as estimated by CMAI. Sinopec is the largest domestic producer of petrochemicals, accounting for 63.0% of China's ethylene capacity in 2011 as estimated by CMAI.

#### China's Ethylene Market Overview

China's ethylene production capacity has been growing rapidly in recent years. From 2006 to 2011, China's ethylene production capacity increased by 75% from 8.9 million tons per year in 2006 to 15.6 million tons per year in 2011, as estimated by CMAI. Going forward, CMAI estimates that China's ethylene production capacity will grow from 15.6 million tons per



## INDUSTRY OVERVIEW

year in 2011 to 24.7 million tons per year by 2016, with an increase of approximately 9.1 million tons of annual ethylene production capacity.

Despite the rapid increase in ethylene production capacity between 2006 and 2011, China has not been able to achieve self-sufficiency in ethylene supply. As a result, ethylene and its derivatives are imported in significant quantities to fulfill China's petrochemicals demand. Between 2006 and 2011, China's self-sufficiency rate in ethylene was around 60.0% in each year. CMAI projects that China's ethylene self-sufficiency rate will remain at this level in the near future despite a significant number of projects being planned and built.

The top ten PRC ethylene producers in terms of 2011 production capacity are listed in the table below.

### Top Ten PRC Ethylene Production Facilities in 2011 in Terms of Annual Capacity

Rank	Company	Average Annual Capacity (in thousand metric tons)	Share % of Total
1	PetroChina Dushanzi <sup>(1)(2)</sup>	1,220	7.80%
2	SECCO <sup>(1)</sup>	1,200	7.67%
3	Sinopec Maoming <sup>(1)(3)</sup>	1,000	6.40%
4	Sinopec SABIC Tianjin Petrochemical Co., Ltd. <sup>(2)</sup>	1,000	6.40%
5	CSPC <sup>(1)(4)</sup>	1,000	6.40%
6	Sinopec Zhenhai Refining and Chemical Company <sup>(3)</sup>	1,000	6.40%
7	Sinopec Qilu <sup>(1)(3)</sup>	860	5.50%
8	Sinopec Shanghai <sup>(1)(3)</sup>	850	5.44%
9	PetroChina Jilin <sup>(1)(2)</sup>	850	5.44%
10	Sinopec Beijing Yanshan Co., Ltd. <sup>(1)(3)</sup>	820	5.24%
	<b>Total</b>	<u>9,800</u>	<u>62.68%</u>

Source: CMAI

Notes:

- (1) Denotes facilities where we participated in construction.
- (2) Denotes facilities owned by PetroChina.
- (3) Denotes facilities owned by Sinopec.
- (4) Denotes facilities owned by CNOOC.

## CHINA'S COAL-TO-CHEMICALS INDUSTRY OVERVIEW

### China's Coal-to-Chemicals Market Overview

Coal-to-chemicals refers to the process of producing chemicals from coal. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coke to benzene and coal-to-ammonia/urea. China has the world's second largest coal reserves behind the United States and is the largest coal producing country in the world, as estimated by CMAI. Given the abundance of coal resources in China, availability of low price coal-based feedstock, and improvements in coal-to-chemicals technology, the PRC government is encouraging the development of more coal-based chemical production in China to reduce dependence on petroleum, and to utilize coal resources in a more environmentally friendly manner. In 2011, coal consumed as a raw material in China's chemical industry accounted for only approximately 5.2% of the total coal consumption. However, with the large coal-to-chemicals projects being put into operation between 2012 and 2016, CMAI expects the percentage of coal consumption in China as chemical feedstock to increase.

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## INDUSTRY OVERVIEW

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China has been developing its coal-to-chemicals sector in the past, largely in the areas of coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. More recently, the focus has been shifted to coal-to-methanol, MTO and MTP processes due to better cost efficiencies and greater demand for these chemicals. CMAI expects the capacity for coal-to-methanol, coal-to-ethylene and coal-to-propylene (CTP) in China to increase between 2012 and 2016 potentially by approximately 27,620kta. The coal-to-methanol conversion is an established technology with several industrial plants operating such conversion in China. While MTO and MTP technologies are still at an early stage, they have demonstrated good potential as viable chemical production processes.

China is projected to add another ten coal-to-olefins projects between 2012 and 2016, as estimated by CMAI. With these expansions, CMAI estimates that ethylene capacity from MTO projects will increase to 12.0% of total ethylene capacity in China by 2016, while propylene capacity, based on MTO and MTP projects, will increase to 20.0% of total propylene capacity in China by 2016.

On the other hand, the PRC government is also becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not justify their environmental impact. In the case of coal-to-olefins, the technology is also newly developed and there may be undiscovered risks. The PRC government has updated its policy on coal-to-chemicals investment approvals on March 23, 2011, restricting investments to specified large scale projects for the various coal derivative technologies—with a minimum scale of 500kta of olefins in the case of coal-to-olefins. Nevertheless, according to CMAI, the implementation of this new policy is not likely to have a large effect on the coal-to-chemicals industry in China. Although new projects with scales smaller than the minimum requirements stated in the new policy will not be approved and the total number of coal-to-chemicals projects in China will therefore be likely to be reduced, there should not be any material change due to new coal-to-chemicals policies as the estimated total coal-to-chemicals capacity expansion is not expected to change materially in the future, as we anticipate more large scale projects or increases in scale for some of the projects. In addition, as advised by our PRC legal adviser, the coal-to-chemicals project approvals that have been duly obtained from competent government authorities prior to March 23, 2011 will not be revoked by virtue of the implementation of the new policy (unless the project scope is modified or amended).

With respect to the impact of the new policy on the coal-to-chemicals EPC market, since the total planned coal-to-chemicals capacity expansion remains largely unchanged, the market size of the coal-to-chemicals EPC market in China is not expected to change. However, as it is expected that the total number of coal-to-chemicals projects will be reduced and the average scale will be increased, our Directors expect that the entry barrier for new coal-to-chemicals EPC service providers in China will be maintained. According to CMAI, there are 14 coal-to-methanol projects, ten coal-to-olefins projects and two coal-to-propylene projects being planned in China to commence construction between 2012 and 2016. More details regarding the projects being planned are listed in the table below. According to CMAI, all the projects listed in the table below are understood to have been reviewed and approved by the PRC government authorities and are expected to proceed, even taking into account the new policy implementation.

## INDUSTRY OVERVIEW

### China Coal-to-Chemicals New Projects

Company	Location	Methanol Capacity (KTA)	Ethylene Capacity (KTA)	Propylene Capacity (KTA)	Project Commencement Timing
Baofeng Energy	Ningdong, Ningxia	1,800	300	300	2015
CPI/Total JV	Erdos, Inner Mongolia	2,400	400	400	2016
Donghua Energy	Ordos, Inner Mongolia	600	—	—	2013
Huating Coal Group	Gansu	600	—	200	2015
PuCheng Clean Energy	Pucheng, Shaanxi	1,800	300	380	Mid-2013
Qinghai Salt	Golmud, Qinghai	1,000	160	160	2014
Shaanxi Yanchang	Yan'an, Shaanxi	1,800	450	450	Mid-2014
Shanxi Tianhao Chemical	Xiaoyi, Shanxi	200	—	—	2014
Shenhua Ningmei	Ningdong, Ningxia	1,500	—	500	Mid-2014
Shenhua Xinjiang	Urumqi, Xinjiang	1,800	160	360	Mid-2016
Sinopec Zhijin	Zhijin, Guizhou	1,800	300	300	Q4-2014
Yankuang Guohong	Zoucheng, Shandong	1,800	300	300	Mid-2014
Yili Meidianhua	Yili, Xinjiang	1,800	300	300	2013
Yulin Energy & Chem.	Yulin, Shaanxi	1,800	300	300	Q2-2013
<b>Total</b>		<u>20,700</u>	<u>2,970</u>	<u>3,950</u>	

Source: CMAI

### China's Coal-to-Chemicals Producers

China's coal-to-chemicals sector is more segmented than the oil refining and petrochemicals sectors, as there are more coal-to-chemicals producers in the market and where the top 15 coal-to-methanol producers in 2011 provide around 36.3% of the total methanol capacity in China, as estimated by CMAI. Key producers in the coal-to-chemicals sector are coal companies such as Shenhua Ningxia Coal Industry Group, Shenhua Baotou and Yankuang, power companies such as Datang International Power Generation Co., Ltd. and gas distributors such as ENN Energy Service Co., Ltd.

## INDUSTRY OVERVIEW

The following table lists the top 15 coal-to-methanol producers in China in 2011.

### Top 15 Coal-to-Methanol Production Facilities in China in 2011

Rank	Company	Location	Total Methanol Capacity (2011) <i>(in thousand metric tons)</i>	Share % of Total Methanol Capacity
1	Shenhua Ningxia Coal Industry Group . . . . .	Ningdong, Ningxia	2,530	5.7%
2	Datang International Power Generation Co., Ltd. . . . .	Duolun, Inner Mongolia Hulunbeier, Inner Mongolia	1,880	4.3%
3	Shenhua Baotou Coal Chemical Co., Ltd. . . . .	Baotou, Inner Mongolia	1,800	4.1%
4	Yankuang Group . . . . .	Zoucheng, Shangdong Yulin, Shaanxi Tengzhou, Shangdong Xiaoyi, Shanxi	1,670	3.8%
5	Shandong Jiutai . . . . .	Erdos, Inner Mongolia Linyi, Shandong	1,250	2.8%
6	Puyang Longyu Chemical Co., Ltd. . . . .	Yong Cheng City, Henan	1,000	2.3%
7	Shanghai Coking & Chemical Corporation . . .	Shanghai	950	2.2%
8	East Hope Group . . . . .	Chongqing, Sichuan Hulunbeier, Inner Mongolia	700	1.6%
9	Donghua Energy . . . . .	Ordos, Inner Mongolia	600	1.4%
10	ENN Energy Service Co., Ltd . . . . .	Dalateqi, Inner Mongolia	600	1.4%
11	Gansu Huating . . . . .	Huating, Gansu	600	1.4%
12	Shaanxi Weihe Coal . . . . .	Weinan, Shaanxi	600	1.4%
13	Shaanxi Xianyang Chem. Ind. Co. . . . .	Xianyang, Shaanxi	600	1.4%
14	Shanxi Coking Corp. . . . .	Jiexiu, Shanxi Xiangfen, Shanxi Hongtong, Shanxi	600	1.4%
15	Shenmu Shaanxi . . . . .	Shenmu, Shaanxi	600	1.4%
<b>Total Top 15 Coal-to-Methanol Production Facilities . . . . .</b>			<u>15,980</u>	<u>36.3%</u>
<b>Total China Methanol Capacity . . . . .</b>			<u>44,024</u>	<u>100.0%</u>

Source: CMAI

## GLOBAL EPC MARKET

### Introduction of EPC

An EPC service provider is generally in charge of all aspects of a construction project for an oil refinery or a petrochemicals or coal-to-chemicals facility, including the design and engineering, quality and budget control and construction schedule. The role of an EPC service provider is to facilitate integration of various elements and systems and to plan each phase of a project, including scheduling, material and equipment specifications, cost estimates and resources for post-sale technical support.

Activities covered during the EPC phases of a project typically include:

**Engineering**—This is where project requirements are reviewed and basic design work is completed and then submitted to the project owner for approval. Upon approval, detailed

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## INDUSTRY OVERVIEW

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designs that transform basic designs into actual construction and installation plans are produced. EPC service providers also facilitate the procurement of raw materials and equipment. Additional engineering drawings may also be developed for various disciplines and skill-sets such as piping layouts, foundations/civil works and instrumentation/electrical works.

**Procurement**—This is where, based on the specifications drawn up during the engineering phase of a project, the EPC service providers prepare a list of relevant suppliers, seek bids, evaluate bidders' proposals and closely monitor suppliers' manufacturing and delivery progress to ensure that all ordered raw materials and equipment are delivered on schedule and are ready for scheduled installation and construction.

**Construction**—Activities during this phase include site preparation, completing the foundations and equipment erection, and installing pipe-racks and piping, electrical equipment and instruments. This is where different equipment and parts of the project are connected together to function operationally as per the design intent. EPC service providers generally outsource the construction and installation work to construction sub-contractors, but are responsible for organizing and supervising the construction process to ensure quality and timely completion.

The activities of EPC service providers can vary by contract as required by the project owners. For instance, in engineering and procurement (EP) services, the service providers design and provide engineering services for the project, undertake the procurement of raw materials and equipment but allow the project owners or third parties to handle the construction of that project. In contrast, in procurement and construction management (PC) services, the service providers do not make decisions on design and selection of technology but rather act as the project managers by overseeing the implementation of the design, undertaking the procurement and monitoring and supervising the installation and construction of that project. In project management contracting (PMC) services, the service providers charge a fee for project management services but the project owners are responsible for the design and engineering and assume the cost of procurement and construction.

### Global EPC Market Overview

#### *Global Petrochemicals EPC Market*

Overall, the general trend of the petrochemicals EPC industry follows the growth in supply (capacity) in the industry. As such, annual capacity additions are a good indicator of the demand of EPC services and therefore general EPC industry profitability.

The following figure shows historical global capacity additions for a basket of selected petrochemical products, indicating additions from 2001 to 2011 and estimated additions from 2012 to 2016 and hypothetical additions post-2016. Consistent with the last five years of EPC industry performance, new capacity additions generally increased from 2005 to 2008. In 2009, the industry was affected by the global financial crisis that reduced demand and caused a number of project owners to delay progress on a number of new investments. Demand for petrochemicals increased in late 2009 and, with the gradual recovery of the financial markets, many of the delayed petrochemicals projects continued to completion with strong capacity additions in 2010 and 2011. With the advent of such significant amounts of new capacity in

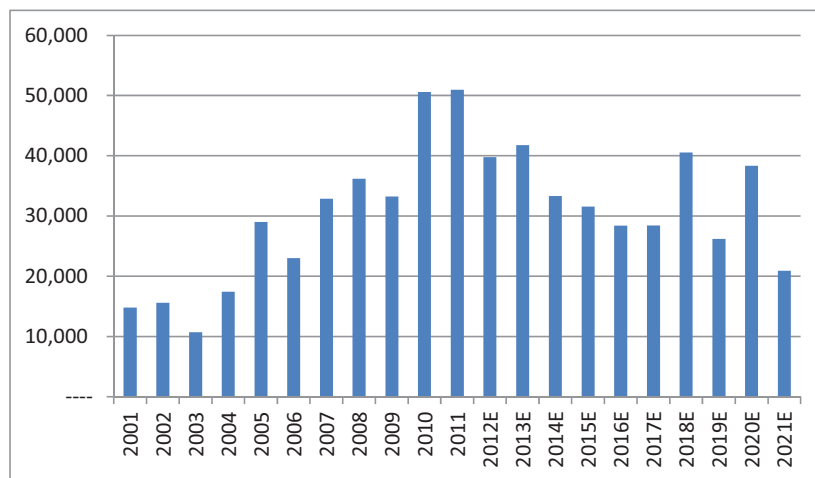
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## INDUSTRY OVERVIEW

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2010 and 2011, CMAI expects the consequential oversupply capacity will result in lower industry profitability and hence less incentive for new investment. CMAI expects a significant slowdown in new capacity additions in 2012 and reduced investment levels and supply additions until 2018, with a trough expected in 2016. Demand should then begin to catch up with supply, and the cycle will likely begin again with an upswing in new investments expected in the later part of the decade.

**Global Capacity Additions for Selected Petrochemicals 2001-2021**  
(in thousand metric tons)



Source: CMAI.

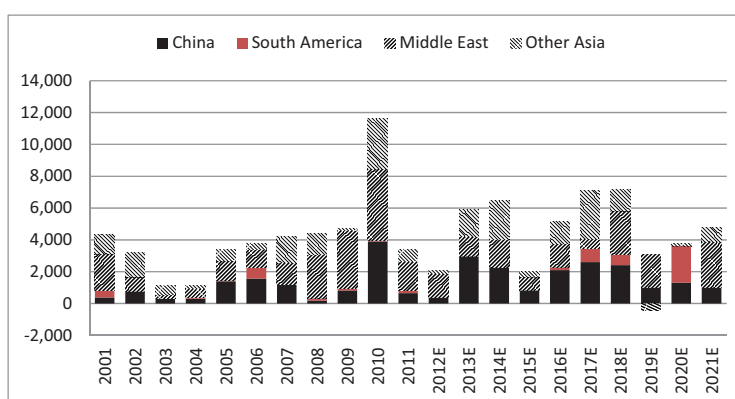
Note: Selected petrochemicals include: methanol, ethanol, urea, ethylene, benzene, EDC/VCM, PVC, PTA, PET and polypropylene.



## INDUSTRY OVERVIEW

A summary of the designated regional capacity additions for ethylene production alone is shown in the following figure. While these trends follow the general petrochemicals cycle, the addition of ethylene capacity in 2010 was significant and resulted from completion of numerous new projects that were delayed. This surge in new ethylene capacity has resulted in a decrease in new investments that is evident in 2011 and is expected to continue in 2012 to 2015. CMAI expects ethylene industry profitability to begin to improve again in late 2012 and to begin to provide the incentive for new investments with an expected increase in new builds from 2016. CMAI estimates that the Middle East, with its strong feedstock position, is the dominant area for additional ethylene capacity, with China, with its strong demand for ethylene derivatives, also continuing to be significant.

**Regional Capacity Additions for Ethylene 2001-2021**  
(in thousand metric tons)



Source: CMAI

CMAI estimates that projects that are currently being planned for or developed will add another 18.3 million tons of ethylene cracker production capacity globally from 2012 to 2016. Projects in the Middle East and China are expected to account for 11.5 million tons (with the Middle East contributing 6.7 million tons and China contributing 4.8 million tons), with the rest of the additions mainly in other parts of Asia. In China, up to 3.0 million tons of ethylene production capacity will be added between 2012 and 2016 from coal to ethylene, as estimated by CMAI (excluding a 1.3 million tons methanol-to-olefins plant that does not consume coal). Capital investments for new ethylene cracking facilities (excluding other associated facilities) during this period are estimated by CMAI to be between US\$15.0 billion and US\$16.0 billion, with the Middle East accounting for more than US\$6.3 billion and China accounting for approximately US\$3.0 billion.

In addition to the opportunities for constructing new plants, another area of opportunity for EPC service providers is renovation of existing petrochemicals plants. Every four to six years, existing ethylene facilities typically require significant renovation expenditures beyond general maintenance. CMAI estimates that based on a US\$30.0 million expenditure for 300kta of ethylene capacity, and assuming the global economic cycle will follow the historical trend line of an eight year cycle, the renovation cost for ethylene facilities in North America and Western Europe from 2012 to 2016 would be averaged around US\$740.0 million per year and for ethylene facilities in Asia and the Middle East would be approximately US\$1.1 billion per year from 2012 to 2016.

## INDUSTRY OVERVIEW

Ethylene cracker capacity additions and estimated capital expenditures across different regions, excluding ethylene from coal-to-olefins, are summarized in the table below.

	Ethylene Cracker Capacity				Ethylene Cracker Investment Cost			
	New Capacity		Expansion		New Capacity		Expansion	
	2006-2011	2012-2016	2006-2011	2012-2016	2006-2011	2012-2016	2006-2011	2012-2016
	<i>(in thousand metric tons)</i>				<i>(in US\$ millions)</i>			
Middle East . . . . .	13,570	6,678	370	0	11,837	6,374	348	0
China . . . . .	5,327	4,800	871	19	2,991	2,915	522	25
Southeast Asia . . . . .	2,700	1,320	387	400	2,392	1,403	400	311
Northeast Asia excluding China . .	1,200	800	1,739	547	1,014	863	880	401
Central Europe . . . . .	590	0	54	0	810	0	78	0
South America . . . . .	333	0	117	0	211	0	146	0
Indian Subcontinent . . . . .	857	2,670	280	0	478	1,570	170	0
North America . . . . .	0	1,200	0	869	0	1,221	0	806
West Europe . . . . .	0	0	342	0	0	0	321	0
CIS and Baltic States . . . . .	300	420	50	80	411	535	74	106
Africa . . . . .	0	460	60	0	0	596	82	0
<b>Total</b> . . . . .	<b>24,877</b>	<b>18,348</b>	<b>4,270</b>	<b>1,915</b>	<b>20,143</b>	<b>15,478</b>	<b>3,020</b>	<b>1,648</b>

Source: CMAI

Note: Capacities shown above do not include ethylene shutdowns in the US, Western Europe and Eastern Europe

### CHINA EPC MARKET

#### Key EPC Service Providers

##### *Oil Refineries and Petrochemicals*

There are no substantive regulatory barriers to entry into the petrochemicals EPC market, but a new entrant needs to obtain certain certificates from the relevant PRC authorities, which could be a lengthy process for a company with little experience in this area. In terms of other barriers to entry, with the presence of well-established local engineering companies in the petrochemicals EPC market in China and the need to obtain the necessary certification from the relevant PRC authorities, our Directors consider that it will be difficult for a new entrant to quickly gain credibility with the project owners.

In the 1990s, the “project owner contractor” model was commonly used in China, where the design and construction management were carried out solely by the project owners themselves. In the past ten years, with the rapid expansion and significant additions of capacity, there has been a clear trend of shifting from the project owner contractor model to the EPC model.

Before 1995, almost all ethylene units in China were imported, and international contractors and licensors were used, with limited involvement of domestic design institutions and construction companies. Starting from the early 1990s, the PRC government’s focus on developing local petrochemicals plant design and research capabilities resulted in an increasing domestic involvement in the contractor sector, which led to an increase in the use of PRC engineering companies instead of international EPC services.

## INDUSTRY OVERVIEW

Based on the industry rankings completed by the China Exploration & Design Association, the top chemical EPC service providers in the PRC by 2011 contract revenue were the following organizations:

### TOP CHEMICAL EPC SERVICE PROVIDERS IN THE PRC

Ranking of Chemical EPC Service Providers in 2011 <sup>(1)</sup>	Ranking of All EPC Service Providers in 2011 <sup>(2)</sup>	Company Name	2011 Contract Revenue <sup>(3)</sup> <i>(RMB in millions)</i>	Ranking of Chemical EPC Service Providers in 2010 <sup>(1)</sup>	Ranking of All EPC Service Providers in 2010 <sup>(2)</sup>	2010 Contract Revenue <sup>(3)</sup> <i>(RMB in millions)</i>
1	1	Huanqiu <sup>(4)</sup>	24,517	1	1	24,490
2	6	Luoyang Petrochemical Engineering Corporation <sup>(5)</sup>	9,109	3	10	7,220
3	8	Sinopec Engineering Incorporation <sup>(5)</sup>	8,522	2	5	9,348
4	12	SSEC <sup>(5)</sup>	7,246	4	11	6,588
5	14	CNPC Engineering Design Co., Ltd. <sup>(4)</sup>	6,647	9	30	2,877
6	15	China Chengda Engineering Co., Ltd.	6,320	5	13	6,064
7	16	China Tianchen Engineering Corporation	5,302	7	17	4,509
8	17	Wison Engineering <sup>(6)</sup>	4,906	6	15	4,923
9	21	Wuhuan Engineering Co., Ltd.	3,989	8	27	3,263
10	22	Sinopec Ningbo Engineering Co., Ltd. <sup>(5)</sup>	3,860	10	36	2,135

Sources: China Exploration & Design Association and CMAI

Notes:

- (1) Determined by CMAI based on data published by China Exploration & Design Association for EPC companies that service the PRC chemical sector, which includes, among others, the petrochemicals, oil refining and coal-to-chemicals industries.
- (2) Ranking based on the total revenue of the top 150 EPC service providers in the PRC by China Exploration & Design Association, which include companies that service all industries, including but not limited to railway, power, cement and chemicals.
- (3) Estimated by China Exploration & Design Association through a methodology consistently applied to all surveyed companies. Contract revenue estimations may not be consistent with IFRS revenue reported.
- (4) Denotes an affiliate of PetroChina.
- (5) Denotes an affiliate of Sinopec.
- (6) Wison Engineering was the largest private sector (non-state-owned) chemical EPC service provider in the PRC in 2010 and 2011.

CMAI expects the engineering subsidiaries of PetroChina and Sinopec to continue to account for a significant share of the EPC work in China between 2011 and 2016, but that leading private sector EPC companies will also have an important role to play. CMAI believes that Wison Engineering's strong market position has evolved based on a combination of Wison Engineering's furnace technology, coupled with Wison Engineering's experience, ability to service clients' requirements, and successful track record that they believe provides a strong basis for its future business.

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## INDUSTRY OVERVIEW

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### ***Coal-to-Chemicals***

The following EPC companies in China, most of which are also major EPC service providers in the PRC refining and petrochemicals markets, are key EPC service providers in the PRC coal-to-chemicals market and the type of coal-to-chemicals projects that these service providers focus on are listed below:

<u>Type of Coal-to-Chemicals Projects</u>	<u>Major EPC Service Providers</u>
Coal-to-Methanol . . . . .	China Tianchen Chemical Engineering Corporation Hualu Engineering & Technology Co., Ltd. Wuhuan Engineering Co., Ltd. Wison Engineering
Coal-to-Ammonia . . . . .	Sinopec Ningbo Engineering Co., Ltd Wuhuan Engineering Co., Ltd.
MTO . . . . .	Sinopec Luoyang Petrochemical Engineering Corporation Wison Engineering
MTP . . . . .	Wuhuan Engineering Co., Ltd. Wison Engineering
Coal-to-Acetic Acid . . . . .	Hualu Engineering & Technology Co., Ltd.

Source: CMAI

The engineering subsidiaries of Sinopec and PetroChina have been involved in fewer projects in the coal-to-chemicals EPC market, as compared to their involvement in the oil refineries and petrochemicals EPC markets. Principal EPC contractors in the coal-to-chemicals market are companies under the former Ministry of Chemical Industry (i.e. China Tianchen Chemical Engineering Corporation, Hualu Engineering & Technology Co., Ltd. and Wuhuan Engineering Co., Ltd.) and we are making a strong effort to penetrate this market with a focus on entry via technology development.

### **China's Oil Refining Market Size**

Driven by China's rapid economic growth and expansion of the automotive industry, China's oil refining capacity increased significantly between 2005 and 2011, from 395.0 million tons per year in 2005 to 542.0 million tons per year in 2011 as estimated by CMAI, in order to meet the growth of demand in China. Currently, many oil refineries are in different stages of development and China's oil refining capacity is expected to grow from 542.0 million tons per year in 2011 to 760.0 million tons per year in 2016, to 940.0 million tons per year in 2021 and further to 990.0 million tons per year in 2026, as estimated by CMAI.

Oil refineries are capital-intensive. A single world-scale oil refinery of 200,000-barrels-per-day capacity may require up to US\$7.0 billion in total investment. CMAI estimates the total investment costs in China for the oil refinery capacity expansions from 2012 to 2016 will be in the range of US\$65.0 billion to US\$80.0 billion, with an additional US\$75.0 billion to US\$85.0 billion of investment expected from 2016 to 2021, which investment cost represents capital expenditures for new refinery projects that are most likely to be built. The EPC of oil refineries is also highly complicated, requiring the participation of a large number of specialized contractors and companies involved in the different process units and off-site facilities.

## INDUSTRY OVERVIEW

### China's Ethylene Market Size

Despite the rapid increase in ethylene capacity between 2006 and 2011, China has not been able to achieve self-sufficiency in ethylene supply, and ethylene and its derivatives are imported in significant quantities to fulfill China's petrochemicals demand. CMAI estimates that between 2006 and 2011, China's self-sufficiency rate in ethylene was approximately 59.0% on average. CMAI expects that China will remain at this level of ethylene self-sufficiency, averaging around 60.0%, in the near future, despite additional new projects being planned and built.

CMAI estimates that China's ethylene capacity will grow from 15.6 million tons per year in 2011 to 24.7 million tons per year by 2016, an increase of approximately 9.1 million tons per year of ethylene capacity among which 4.8 million tons are from ethylene cracker, 1.3 million tons from MTO and 3.0 million tons are from coal-to-ethylene additions. CMAI also estimates that China will add 60-75 new ethylene cracker furnaces between 2012 and 2016. The table below lists China's announced ethylene capacity expansion projects for the period between 2012 and 2016:

### China Ethylene Capacity Expansions (2012-2016)

Company	Location	Capacity Expansion					Total
		2012	2013	2014	2015	2016	
<i>(in thousand metric tons)</i>							
Baofeng Energy	Ningdong, Ningxia	—	—	—	300	—	300
BASF-YPC Co., Ltd.	Nanjing, Jiangsu	19	—	—	—	—	19
CSPC	Huizhou, Guangdong	—	—	—	—	1,000	1,000
CPI/Total JV	Erdos, Inner Mongolia	—	—	—	—	400	400
PetroChina Daqing Petrochemical Co., Ltd	Daqing, Heilongjiang	—	600	—	—	—	600
PetroChina Fushun Petrochemical Co., Ltd.	Fushun, Liaoning	267	533	—	—	—	800
Jiutai Energy (IM)	Inner Mongolia	—	—	100	200	—	300
Wison Nanjing	Nanjing, Jiangsu	—	100	—	—	—	100
Ningbo Heyuan	Ningbo, Zhejiang	—	—	300	—	—	300
PuCheng Clean Energy Chemical Co., Ltd.	Pucheng, Shaanxi	—	150	150	—	—	300
Qinghai Salt	Golmud, Qinghai	—	—	160	—	—	160
Shaanxi Yanchang Petroleum (Group) Corp. Ltd.	Yan'an, Shaanxi	—	—	225	225	—	450
Sinopec Shanghai	Jinshan, Shanghai	—	—	300	—	—	300
Shanxi Coking Corp.	Hongtong, Shanxi	—	—	75	225	—	300
Shenhua Xinjiang	Urumqi, Xinjiang	—	—	—	—	80	80
Sinopec Sichuan Petrochemical Co., Ltd.	Chengdu, Sichuan	—	200	600	—	—	800
Sinopec Wuhan Petrochemical Co., Ltd.	Wuhan, Hubei	—	733	67	—	—	800
Sinopec Zhijin Petrochemical Co., Ltd	Guizhou, Guizhou	—	—	75	225	—	300
Sinopec-KPC PC JV	Zhanjiang, Guangdong	—	—	—	—	500	500
Yankuang Guohong	Zoucheng, Shandong	—	—	150	150	—	300
Yili Meidianhua	Yili, Xinjiang	—	—	—	—	300	300
Yulin Energy & Chemical Co., Ltd	Yulin, Shaanxi	—	225	75	—	—	300
	Yulin, Shaanxi	—	225	75	—	—	300
Sinopec Zhongyuan Petrochemical Co., Ltd	Puyang, Henan	75	—	—	—	—	75
<b>Total—China</b>		<b>361</b>	<b>2,766</b>	<b>2,352</b>	<b>1,325</b>	<b>2,280</b>	<b>9,084</b>

Source: CMAI

Note: Including coal-to-ethylene additions.

The growth in ethylene capacity between 2012 and 2016 will require approximately US\$3.0 billion to US\$4.0 billion of investment for ethylene crackers, including US\$1.0 billion

## INDUSTRY OVERVIEW

to US\$1.5 billion in ethylene cracker furnaces, as estimated by CMAI. CMAI further estimates that related investment in downstream petrochemicals facilities in China (including facilities for the production of ethylene derivatives, propylene, butadiene and aromatics, as well as secondary and tertiary derivatives) between 2012 and 2016 will be between US\$35.0 billion and US\$40.0 billion.

The renovation of furnaces also creates significant market opportunities for EPC service providers. CMAI estimates that around 300 furnaces were in operation in China at the end of 2011. Some of these have been in use for more than ten years and are likely to be of small scale, high energy consumption and low efficiency. As a result, they are likely to be renovated or upgraded in the next few years. In addition to replacing or renovating older furnaces, furnace tubes are typically replaced every four to six years as a part of normal maintenance, which implies that every year an average of 55 to 85 furnaces will need maintenance work. Other renovations of furnaces may involve upgrades in terms of higher capacity, better reliability or improved energy efficiency. This niche market will continue to grow in China as the base level of ethylene capacity continues to increase.

### China's Coal-to-Chemicals Market Size

A number of plans and investment initiatives have been announced by government authorities in the coal-to-olefins sector in China. CMAI estimates that up to ten of these announced programs are potentially viable and could go forward between 2012 and 2016. Based on CMAI evaluations of other coal-to-olefins representative investment costs (including all unit operations and assuming a significant level of appropriate downstream derivative investments, auxiliary equipment and infrastructure), the cost for these ten projects is estimated by CMAI to be between US\$30.0 billion and US\$35.0 billion, in the aggregate.

### Technological Strengths of Wison Engineering

The table below provides a comparison of our HS-II cracking furnace technology with the ultra selective coil (USC) design of Stone & Webster. As indicated below, furnaces produced with HS-II technology generally have lower energy consumption and longer operation cycles.

#### Cracking Furnace Technology Comparison

	HS-II (Wison Engineering)	USC (Stone & Webster)	Difference
Cracking furnace load, %	100%	100%	
Outlet temperature, °C	830	840	▼ 10
The highest tube wall temperature, °C	1044	1062	▼ 18
Smoke crossing temperature, °C	1071	1085	
Smoke vent temperature, °C	105	146	▼ 41
Cracking furnace thermal efficiency, %	94.85	92.5	▲ 2.35
Heat supply ratio in the bottom, %	60	80	
Heat supply ratio in wall side, %	40	20	
Draught fan power rating, kW	45	110	▼ 65
Cracking furnace operation days	>60	~60	

Source: CMAI



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## INDUSTRY OVERVIEW

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### REPORT COMMISSIONED FROM CMAI

We commissioned CMAI, an independent advisor to petrochemicals industry participants in strategic and commercial planning, feasibility and financial studies, due diligence support and competitive and market analysis, to conduct an analysis of, and to report on, the petrochemicals, oil refining and coal-to-chemicals EPC markets in China. The report commissioned has been prepared by CMAI independent of our influence. We have agreed to pay CMAI US\$114,000 for the commissioned report and we consider that such fee reflects market rates.

Investors should note that CMAI was engaged to prepare an EPC market study report, for use in whole or in part in this prospectus. CMAI prepared its report based on its in-house database, independent third party reports, publicly available data from government or industry publications and data provided by us. Where necessary, CMAI contacts companies operating in the industry to gather and synthesize information about markets, prices and other relevant information.

CMAI has provided part of the statistical and graphical information contained in this Industry Overview section. CMAI has advised that (i) some information in its database is derived from estimates from industry sources or subjective judgments and (ii) the information in the database of other petrochemicals data collection agencies may differ from the information in CMAI's database.

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. We, the Global Coordinators, the Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

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## SUMMARY OF PRC LAWS AND REGULATIONS

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The main business of our Company is operated by two affiliated companies located in the PRC. These companies must comply with industry policies of the PRC government and relevant laws and regulations, and they are both subject to the supervision of relevant government authorities, primarily in areas such as qualifications for undertaking construction projects, commencing engineering design business, project tendering, construction, quality, acceptance and inspection for the completion of engineering works. In addition, the construction of engineering works is also subject to environmental protection and work safety regulations by relevant government authorities.

### PRINCIPAL REGULATORY AUTHORITIES

1. The NDRC, either at the “national” or “state” or local levels, which formulates and implements major policies concerning China’s economic and social development, examines and approves investment projects exceeding certain capital expenditure amounts or in specified industry sectors, including examination and approval of foreign investment projects.
2. MOFCOM and other commerce authorities at the local level, which are responsible for the examination and approval of FIEs and overseas investment by PRC enterprises.
3. The Ministry of Construction and other construction administration authorities at the local level, which implement centralized supervision and administration of construction projects throughout the country.
4. The State Administration of Work Safety of the PRC, which is in charge of the overall administration of work safety nationwide.

Our PRC legal advisers are of the view that each of the government authorities confirming Wison Engineering and Wison Yangzhou’s compliance with PRC laws and regulations as disclosed in this “Summary of PRC Laws and Regulations” section are the relevant and competent authorities to give such confirmations.

### PRINCIPAL LAWS AND REGULATIONS OF THE CONSTRUCTION INDUSTRY

#### Project Examination and Approval

On July 16, 2004, the State Council passed, with immediate effect, the Decision on Institutional Reform of Investment System (《國務院關於投資體制改革的決定》) (Guo Fa (2004) No.20) (the “Investment Reform Decision”). The objectives of the legislation are to reduce the PRC government’s direct intervention into enterprises’ activities, to allow the market to allocate resources, to increase investment efficiency and to promote the sustained, coordinated and healthy development of the PRC economy. The Investment Reform Decision has streamlined the governmental approvals process for investment projects. There are two forms of government approval: “approval” and “registration”. For investment projects that do not require or involve direct government funding, no approval will be required. Instead, only registration will be required for such investment projects, unless the investment projects are major investments and fall within the restricted sectors specified in an annual catalog released by the State Council.

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## SUMMARY OF PRC LAWS AND REGULATIONS

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### Construction Law

The Construction Law of the PRC (《中華人民共和國建築法》) (Presidential Decree No.91) that was enacted and passed by the Standing Committee of the 8th National People's Congress on November 1, 1997, later effective March 1, 1998 and amended on April 22, 2011, provides that:

1. a license system must be implemented on construction projects, including licenses for construction activities and construction personnel, respectively. Before the commencement of any construction activities, a relevant construction license must be applied for in accordance with certain conditions, and the construction activities must be carried out by construction enterprises, inspection units, design units and project supervisory units possessing the relevant qualification certificates;
2. construction enterprises may only sub-contract construction projects to sub-contractors possessing the relevant qualifications, and a written contract as required by the law must be entered into between the contractor and the sub-contractor specifying the rights and obligations of the parties. Sub-contracting construction projects must be conducted by tender pursuant to the law, and construction projects not suitable for sub-contracting by tender may be sub-contracted directly;
3. a construction supervision system has been implemented by the competent authority. Supervisors for construction projects must, on behalf of the party initiating the construction, supervise various aspects of the sub-contracts, such as the quality of construction works, construction schedule and utilization of the construction funds in accordance with the laws, administrative regulations, relevant technical standards, design documents and contracts for construction works;
4. management of the operational safety of construction works must be conducted based on the principle of "safety first and prevention as main concern", and a functional system of responsibilities for safe operations must also be established; and
5. the quality of construction works must be in line with the relevant requirements for construction safety standards. The competent authority introduced a system to verify the quality of the units involved in construction activities. The overall contractor of a project will be accountable for the construction quality if a lump sum contract is adopted for the construction works. Where the construction works are sub-contracted to other units by the overall contractor, the overall contractor and the sub-contractor(s) will take joint and several liability for the quality of the construction works sub-contracted.

Pursuant to the Construction Law of the PRC (《建築法》), construction enterprises, surveying units, designing units and construction supervision units engaged in construction activities must be classified into different qualification grades on the basis of their registered capital, specialized technicians, technologies and equipment owned and the completed construction projects, and they may only be engaged in construction activities within the

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## SUMMARY OF PRC LAWS AND REGULATIONS

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scope specified for them in terms of their qualification grades after passing the qualification examination and obtaining the appropriate qualification grade certificates.

### Management of Contracting Qualification

The Regulations on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) (Decree No.159 of the Ministry of Construction of the PRC) were passed by the Ministry of Construction on June 26, 2007 and became effective on September 1, 2007. On October 18, 2007, the Ministry of Construction promulgated the Opinions on the Implementation of the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定實施意見》) (Jian Shi (2007) No.241) (the “Implementation Opinions”). Under these provisions, qualifications of enterprises operating as contractors in the construction industry are categorized into three classes: main construction contractors, professional contractors and labor sub-contractors.

1. Enterprises awarded the qualification of main construction contractor may undertake a main construction contracting project.
2. Enterprises awarded the qualification of professional contractor may undertake professional projects contracted out by main construction contractors and by the party initiating the construction in accordance with the laws.
3. Enterprises awarded the qualifications of labor sub-contractor may undertake labor operations contracted out by main construction contractors or by professional contractors.

The qualifications of main construction contractors, professional contractors and labor sub-contractors are classified into different types of qualifications according to the nature and technical characteristics of the projects and further into different qualification classes in accordance with the aforesaid conditions.

1. The qualifications of Special Grade and Grade I main construction contractor, the qualifications of Grade II and Grade III main construction contractor of enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries, the qualifications of Grade I professional contractor in the areas of irrigation, transportation and information industry, the qualifications of Grade I and Grade II professional contractors in the areas of railway and civil aviation, and qualifications of professional contractors regardless of gradings in the areas of road traffic engineering and urban rail transit must be examined and approved by the competent department for construction administration of the State Council after an initial examination and approval by the competent department for construction administration at the provincial level. For enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries, they must apply directly for approval from the competent department for construction administration of the State Council.

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## SUMMARY OF PRC LAWS AND REGULATIONS

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2. The qualifications of Grade II main construction contractor and the qualifications of professional contractor of Grade I, Grade II, and regardless of gradings, other than the abovementioned qualifications subject to approval by the competent department for construction administration of the State Council must be examined and approved by the competent department for construction and administration of the PRC government of the relevant province, autonomous region and municipality directly under the central government where those enterprises were established.
3. The qualifications of Grade III main construction contractor (other than the abovementioned qualifications of Grade III main construction contractor of enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries), Grade III professional contractor, labor sub-contractor, as well as the qualifications of enterprises engaging in the installation and repair of gas-burning appliances, must be examined and approved by the competent department for construction and administration of the relevant municipal government where those enterprises were established.

The Standards for Classification of Qualifications of Construction Enterprises (《建築業企業資質等級標準》) (Jian Jian (2001) No.82) (the “Classification Standards”) issued by the Ministry of Construction on April 20, 2001 and implemented on July 1, 2001 provide that main construction contractors are divided into 12 categories, including those for housing projects and petrochemical engineering projects, with each category being further divided into two to four classes, including, Special Grade, Grade I, Grade II and Grade III. Professional contractors are divided into 60 categories, and labor sub-contractors into 13 categories. Pursuant to the Classification Standards, the Main Construction Contracting Qualification for Petrochemical Project Construction comprises three grades, namely Special Grade, Grade I and Grade II.

Pursuant to the Implementation Opinions and the Classification Standards, certain documents such as business licenses, articles of association, certificates of identification, employment contracts, labor handbooks, social security fund payment receipts, qualification and title certificates must be submitted by the applicant applying for the main construction contractor qualification. All such documentation must be verified by independent third party organizations such as the State Administration of Industry and Commerce, Public Security Bureau, Social Insurance Centre, construction department and completed project examination department. The qualification certificate may only be granted upon accreditation of the above documents by the national, provincial and local authorities, including the Ministry of Construction, the provincial government and the municipal government.

Prior to 2005, construction enterprises were subject to annual inspection of qualifications pursuant to the then-effective Regulations on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) (Decree No.87 of the Ministry of Construction of the PRC) issued by the Ministry of Construction and effective on July 1, 2001 (the “Old Qualification Regulations”) and the Opinions on the Implementation of the Provisions on the Administration of Qualifications of Enterprises in the

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## SUMMARY OF PRC LAWS AND REGULATIONS

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Construction Industry (《建築業企業資質管理規定實施意見》) (Jian Ban Jian (2001) No.24) promulgated by the Ministry of Construction on May 28, 2001 (the “Old Implementation Opinions”). Annual inspection included re-examination of the qualifications of the subject enterprise to determine whether such qualifications still meet the criteria for qualification grading, and whether there is any violation regarding, among other things, quality and safety.

Under the Old Implementing Opinions and the Old Qualification Regulations, if the qualification of an enterprise did not match the criteria for qualification grading or the enterprise had committed collusive tendering with any construction unit or enterprise or had secured any tender by way of bribery or other acts violating laws and regulations, it would not pass the annual inspection and would not be qualified for qualification grading, and the competent construction administrative department would not approve its application for qualification upgrading.

Pursuant to the provisions of the Standards for Classification of Qualifications of Construction Enterprises (《建築業企業資質等級標準》), in order to obtain a Grade I Main Construction Contracting Qualification for the Petrochemicals Industry, an enterprise needs to meet the following requirements:

1. The enterprise must have been engaged as the overall construction contractor or contractor for the main project of more than three large scale petrochemicals projects or a single petrochemicals project with a contract amount of more than RMB150 million, and have passed the project quality requirements during the five most recent years.
2. The enterprise managers must have experience in project management for over ten years or possess a senior-grade professional title; the chief engineer must have experience in project technical management for over ten years and have a senior professional title; the chief accountant must have the title of senior-grade accountant; the chief economist must have a senior-grade title; there must be not less than 250 project technicians and financial administrative officers with suitable titles, among which, there must be no less than 150 project technicians, with at least 20 of them possessing senior-grade professional titles and 60 of them possessing medium-grade professional titles; the enterprise must also have at least 20 grade I project managers.
3. The enterprise must have a registered capital of over RMB60 million, and net assets of over RMB72 million.
4. The highest annual construction sum of the projects undertaken by the enterprise in the three most recent years must exceed RMB200 million.
5. The enterprise must have the corresponding construction machinery and quality inspection equipment within the scope of the contract projects.

On March 15, 2005, Wison Engineering obtained the “Qualification Certificate for Construction Enterprises” (《建築業企業資格證書》) (No. A1096031011501) verified and issued by the Ministry of Construction, which was examined and ratified as the “Main Construction



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Contracting Qualification—Grade I for Petrochemical Project Construction (for ethylene plant)”. At that time, Wison Engineering met all the aforesaid requirements, the details of which are as follows:

1. Wison Engineering had both undertaken three large scale petrochemicals projects and a single petrochemicals project with a contract amount of over RMB150 million as the overall construction contractor or contractor for the main project, all of which have passed the project quality requirements.
2. Wison Engineering’s relevant managers had experience in project management for over 20 years or held senior-grade professional titles; the chief engineer had experience in project technical management for 15 years and a senior professional title; the chief accountant had a senior-grade accounting title; the chief economist had a senior-grade title; Wison Engineering had 271 project technicians and financial administrative officers holding professional titles, among which there were 236 project technicians, with 94 of them holding senior-grade professional titles, 121 of them holding medium-grade professional titles; Wison Engineering also had 20 grade I project managers.
3. As of March 2005, Wison Engineering had a registered capital of over RMB300 million, and net assets of RMB118.91 million.
4. The highest annual construction sum of projects undertaken by Wison Engineering in the three most recent years preceding the examination by the Ministry of Construction reached RMB279.5 million.
5. Wison Engineering possessed 71 sets of corresponding construction machinery and quality inspection equipment within the scope of its contract projects.

On August 9, 2005, the Ministry of Construction issued the Notice on the Matters concerning Qualification Application and Annual Review of Project Survey, Design, Construction, Supervision Enterprises and Tendering Agents (《關於工程勘察、設計、施工、監理企業及招標代理機構資質申請及年檢有關問題的通知》) (Jian Ban Shi Han [2005] No.456), and accordingly the Ministry of Construction would no longer annually review qualifications of survey, design, construction and supervision enterprises, and tendering agents, starting from 2005. After July 1, 2004, qualification certificates concerning project survey, design, construction, supervision enterprises and tendering agents (including the certificates that have or have not been annually reviewed) are effective during the period, and no organization and authority may restrict the enterprises’ normal operating activities stipulated by its qualification certificate based on the fact that they have not conducted an annual review. Therefore, Wison Engineering’s Grade I Main Construction Contracting Qualification for the Petrochemicals Industry is no longer subject to annual review by the Ministry of Construction.

Pursuant to the Method of the Use of the Integrity Manual for Construction Enterprises in Shanghai (《上海市在滬建築業企業誠信手冊使用辦法》) issued on May 16, 2004 by the Construction and Management Commission of the Shanghai Municipality, compliance with the integrity manual for construction enterprises in Shanghai (the “Integrity Manual”) must be used by the construction administrative authorities at all levels as one of the bases in classifying management and determining the qualification for enterprise upgrade or

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expansion, and the Integrity Manual must also be referenced by the municipal, district or county construction administrative authorities in the determination of any administrative penalties.

Pursuant to the Notice of Adoption of the Electronic Version of the Integrity Manual for Construction Enterprises in Shanghai (《關於啟用電子版《在滬建設工程企業誠信手冊》的通知》) issued on May 7, 2009 by the Construction Administration Office of the Shanghai Municipality, a dynamic supervision process based on an electronic version of the Integrity Manual was adopted, under which the construction enterprises must log on to the electronic version of the Integrity Manual and conduct certain self-inspections annually within a prescribed timeframe, while the relevant construction industry regulatory authorities would utilize the information in the electronic version of the Integrity Manual to review and approve the qualification compliance of such enterprises. In the event that the relevant authority issues a disapproval decision, and the enterprise fails to rectify within three months, the qualification would be withdrawn and the availability of the electronic version of Integrity Manual for such an enterprise would cease. The relevant construction industry regulatory authorities may conduct inspections from time to time on construction enterprises apart from the periodic review and approval process.

Since 2005, an annual review of our Group by the Ministry of Construction is no longer required for Wison Engineering to maintain its Grade I Main Construction Contracting Qualification. Instead Wison Engineering is subject to an annual review and approval process based on an electronic version of the Integrity Manual, consisting of Wison Engineering's self-inspection and the relevant construction industry regulatory authorities' evaluation and approval. If Wison Engineering fails to pass such review and approval process because it fails to comply with the Integrity Manual in its self assessment or if the relevant authority issues a disapproval decision, Wison Engineering's qualification may be withdrawn by the relevant construction industry regulatory authority if it fails to rectify the matter within three months.

Wison Engineering adopted and has complied with the Integrity Manual for construction enterprises in Shanghai since it was awarded the Grade I Main Construction Contracting Qualification for the petrochemical industry in 2010. The latest review and approval process was based on the Integrity Manual for 2011 submitted by Wison Engineering and its Grade I Main Construction Contracting Qualification has not been withdrawn since.

After being issued the Grade I Main Construction Contracting Qualification for Petrochemicals Industry, Wison Engineering adopted and has complied with the Integrity Manual for construction enterprises in Shanghai. The latest inspection that Wison Engineering passed was based on an electronic version of a status update it made to the Shanghai Construction Industry Advisory Council in accordance with the requirements of the Integrity Manual for 2011 and its Grade I Main Construction Contracting Qualification has not been withdrawn since.

The Ministry of Construction promulgated the Notice on Publication of the Standards for Special Grade Qualifications of Overall Contracting Construction Enterprises (《關於印發〈施工總承包企業特級資質標準〉的通知》) (Jian Shi [2007] No.72) on and effective from March 13, 2007, which has revised the qualification requirements for special grade main construction contracting qualification set out by the Classification Standards implemented on July 1, 2001.

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Pursuant to the Construction Law of the PRC, the administration department in charge of construction under the State Council must execute uniform supervision and administration over all construction activities across the PRC. Since January 1, 2008 to the date hereof, Wison Engineering has never been subjected to any sanctions by the construction administration department nor received any investigation notice, rectification notice, penalty notice or any other similar documents from the same.

According to the certificate issued by the Construction Administration Office of Shanghai municipality on July 18, 2011, Wison Engineering had not been subject to any administrative sanctions due to soliciting profit by illegal means during the normal course of business nor had it violated any provisions under the Administrative Rules for the Credibility of the Construction Enterprise of Shanghai since January 1, 2008 to the date of issue of the credibility certificate.

Pursuant to the provisions of the Administrative Rules Governing the Qualifications of Construction Surveying and Design Enterprises (《建設工程勘察設計資質管理規定》), enterprises that have obtained the relevant qualifications for construction surveying and design are entitled to engage in overall contracting business within the scope of their construction surveying and design qualifications.

Pursuant to the Standards for Qualifications of Engineering Design (《工程設計資質標準》), enterprises need to meet the following requirements to obtain a Class One Industry Design Qualification:

1. Qualification and reputation:

- (1) being an enterprise with independent legal person status;
- (2) having good social standing and registered capital of no less than RMB6 million; and
- (3) having engineering design projects completed that satisfied the performance assessment requirements with regard to engineering design category of the applicable industries; and there has been no less than one large scale project of engineering design or no less than two medium scale projects of engineering design of each design category submitted to performance assessments, which have been completed and put into operation.

2. Technical conditions:

- (1) being fully and reasonably equipped in the profession and the number of major professional and technical personnel it has is not less than those provided in the qualification standards of the applicable industries;
- (2) the technical director or chief engineer of the enterprise has a university degree or above and more than ten years of design experience, has presided over no less than two large scale projects of engineering design in the applicable industries and has held a registered professional qualification or senior professional technical qualification; and
- (3) the non-registered personnel of leading profession among the major professional and technical personnel under item 2(1) has presided over no

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less than three medium scale projects of engineering design in the applicable industries as professional technical director, among which there was no less than one large scale project.

3. Technical equipment and management standard:
  - (1) having the necessary technical equipments and fixed working place; and
  - (2) having sound management organizational structure, standards system, quality system and file management system.

Wison Engineering was granted the Class One Chemical Engineering Petrochemical and Pharmaceutical Industry Design Qualification (organic chemical and petrochemical engineering) on August 5, 2008. Wison Engineering obtained such qualification in compliance with the aforesaid requirements, the details of which are as follows:

1. Wison Engineering was an enterprise with independent legal person status, the registered capital of which was RMB306 million.
2. Wison Engineering had been engaged in 38 large scale and medium scale projects of engineering design in the categories of oil refinery projects, chemical engineering projects, storage and transportation of oil and chemical engineering, all of which were completed and put into operation.
3. There were 275 major professional and technical personnel of Wison Engineering engaged in engineering design holding medium-grade professional titles or above, 47 of which were registered engineers.
4. Wison Engineering's technical director had a university degree and 27 years of design experience, had presided over more than two large scale projects of engineering design in the applicable industries and held the title of registered chemical engineering engineer and professor-level senior engineer.
5. The non-registered personnel of leading profession among the abovementioned major professional and technical personnel have presided over no less than three medium scale projects of engineering design in the applicable industries as professional technical director, among which there was no less than one large scale project.
6. Wison Engineering had the necessary technical equipments, such as work stations, computers, scanners, printers and office space of around 9,000 square meters.
7. Wison Engineering had a sound management organizational structure, standards system, quality system and file management system.

In the view of our PRC legal advisers, the Class One Engineering design qualification certificate of Wison Engineering is legal and binding, and Wison Engineering is entitled to engage in overall contracting business in the chemical engineering, petrochemicals and pharmaceuticals industries. Further, Wison Engineering and Wison Yangzhou have obtained all relevant approvals, licenses and certificates required for their operation of the businesses they are currently engaged in and their business operations are in compliance with the relevant laws and regulations.

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Our material licenses and qualification certificates are set forth below:

Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
1	Class One Qualification for Engineering Design	August 5, 2008 (re-issued on February 3, 2010)  (Before obtaining this qualification, Wison Engineering was entitled to engage in overall contracting business in the petrochemicals industry pursuant to and in accordance with the Grade I Main Construction Contracting Qualification issued on March 15, 2005.)	Valid until August 5, 2013	The enterprise may engage in design of main and auxiliary projects in chemical engineering, petrochemicals and pharmaceuticals Industry without restrictions on their scales; and it may also engage in overall contracting of, and project management and related technical and management services for the construction projects corresponding to the permitted scope of its qualification certificate.
2	Class Two Qualification for Engineering Design	November 21, 2012	Valid until August 5, 2013	The enterprise may (i) engage in the design of main and auxiliary projects of medium and small scale in the following sectors: oil and gas storage of oil and gas industry (offshore oil), food fermenting and tobacco projects of textile industry, town gas projects of municipal industry, and construction projects of construction industry;  (ii) undertake class two engineering design work of corresponding scope in architectural decoration engineering design, construction curtain wall engineering design, light steel structure engineering design, building intelligent systems design, lighting engineering design and fire facilities engineering design; and  (iii) also engage in overall contracting of, and project management and related technical and management services for, the construction projects corresponding to the permitted scope of its qualification certificate.

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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
3	Grade I Main Construction Contracting Qualification (only for ethylene plant)	March 15, 2005	Valid	The enterprise may engage in project construction of (i) oil refinery projects with a scale of no less than 2.5 million tons per year or their related production facilities, or (ii) Ethylene projects with a scale of no less than 300,000 tons per year or their related major production facilities, with contractual amount not exceeding five times its registered capital for one contract.
4	Overseas Project Contracting Qualification	November 19, 2007	Valid	There is no explicit restrictive provision under PRC laws and regulations currently.
5	Special Equipment Design Qualification	May 31, 2012	Valid until June 12, 2016	<p>The enterprise may engage in design of the following pressure vessels: Class A1 high pressure vessels (with single layer), Class A2 the third class low or medium pressure vessels and Class A3 spherical storage tank.</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>
6	Special Equipment Design Qualification	August 18, 2009	Valid until August 17, 2013	The enterprise may engage in design of the following pressure pipes: GA categories: Class GA1 I, Class GA1 II; GB categories: Class GB1, Class GB2; GC categories: Class GC1 I II III, Class GC2, Class GC3; GD categories: Class GD1 (limited to subcritical), Class GD2. PRC laws and regulations do not set forth explicit restrictions on the amount of contracted contracts.



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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
7	Class 1 Project Consultation Qualification	August 22, 2010	Valid until October 22, 2013	<p>The enterprise may engage in provision of services for “planning consulting, preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, and engineering design” within the scope of chemical industry; provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, engineering design” within the scope of petrochemicals industry; provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report” within the scope of municipal public utilities (gas heat).</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>

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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
8	Class 2 Project Consultation Qualification	August 22, 2010,	Valid until October 22, 2013	<p>The enterprise may engage in provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, engineering design” within the scope of pharmaceutical industry (remark: the engineering design services are subject to qualification certificate issued by the Ministry of Housing and Urban-Rural Development); provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report” within the scope of light industry.</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>

During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not engage in any project where we have not been so qualified.

Our PRC legal advisers are of the view that the qualification certificates of Wison Engineering as disclosed herein are legal and valid, and they have not been withdrawn by relevant government authorities. Wison Engineering and Wison Yangzhou have also taken measures to ensure compliance with licensing requirements on an ongoing basis, which include engaging in large scale petrochemicals projects with reasonable profits, keeping and retaining qualified technicians, maintaining and procuring necessary construction machinery and proactively preparing for periodic inspections, if any, in accordance with the licensing requirements as set forth in the applicable laws and regulations in the PRC.

The material qualifications referred to above do not require an annual inspection. We notify the General Administration of Quality Supervision, Inspection and Quarantine of the PRC when we complete the relevant project. We also provide training courses to our employees on an ongoing basis to ensure compliance with the licensing requirements.

### Overall Contracting of Projects

The provisions of the Guidance on Developing Overall Contractors and Construction Project Management Enterprise (《關於培育發展工程總承包和工程項目管理企業的指導意見》) (Jian Shi

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(2003) No.30) were issued by the Ministry of Construction on February 13, 2003 (the “Guidance on Developing Overall Contractors and Construction Project Management Enterprise”), which provides that overall contracting refers to an enterprise engaging in overall contracting (“overall contractor”) appointed by the owner to undertake the entire contracted process or certain stages of the contracted process of a construction project, including survey, design, procurement, construction and trial run (for completion and acceptance) pursuant to the contract. The overall contractor is responsible to the owner for the quality, construction schedule and costing of the project in accordance with the contract.

The overall contractor can sub-contract part of the works to sub-contractors with relevant qualifications in accordance with the law and the sub-contractors must be responsible to the overall contractor pursuant to the sub-contract.

Overall contracting mainly consists of the following models: (a) engineering, procurement and construction (EPC) / turn-key contracting; (b) design-building (D-B); (c) engineering—procurement (E-P); and (d) procurement—construction (P-C). Enterprises with relevant qualifications in the survey, design and construction of construction projects are encouraged to establish an organizational and a project management system relevant to overall contracting through transformation and reorganization. A construction company with comprehensive functions of design, procurement and construction (construction management) can be developed through improving the capabilities of the project management professionals and the financing abilities, and develop overall contracting business permitted within the scope of its survey, design and construction qualification.

According to the provisions of the Administrative Rules Governing the Qualifications of Construction Surveying and Design Enterprises (《建設工程勘察設計資質管理規定》) (The 160th Order Issued by the Ministry of Construction of the People’s Republic of China) issued by the Ministry of Construction on June 26, 2007 and implemented on September 1, 2007 (the “Administrative Rules”), enterprises that have obtained the relevant qualifications for construction surveying and design are entitled to engage in overall contracting business within the scope of their construction surveying and design qualifications.

### **Engineering Design**

According to the Administrative Rules, enterprises must obtain the relevant qualifications for construction surveying and design, which are further classified into qualifications for construction surveying and qualifications for engineering design. The Ministry of Construction issued Class I Design Qualification to Wison Engineering on February 3, 2010, with validity until August 5, 2013. The Shanghai Urban Construction and Communications Commission granted the approval of Class Two Qualification for Engineering Design to Wison Engineering on November 21, 2012, with validity until August 5, 2013.

The engineering design qualifications comprise (i) the comprehensive qualifications for engineering design, (ii) industry qualifications for engineering design and professional qualifications for engineering design and (iii) special qualifications for engineering design. The comprehensive qualifications for engineering design have only one grading, namely Class I, while the industry qualifications for engineering design, professional qualifications for

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engineering design and special qualifications for engineering design are classified into various gradings according to the nature and the technical features of the construction projects.

Enterprises that have obtained the comprehensive qualifications for engineering design may undertake construction engineering design business of various grades with different industries. Enterprises that have obtained the industry qualifications for engineering design may undertake engineering design business with a corresponding grade in the corresponding industry and corresponding professional and special (except for the qualifications for integrated design and construction service) engineering design business with the same grade within the same industry. Enterprises that obtained the professional qualifications for engineering design may undertake professional engineering design business with the corresponding grade and corresponding engineering design projects with the same grade (except for the qualifications for integrated design and construction business). Finally, enterprises that have obtained the special qualifications for engineering design projects can undertake project engineering design business with the corresponding grade.

### **Construction Project Management**

According to the Measures for Construction Project Management (for Trial Implementation) (《建設工程項目管理試行辦法》) that were promulgated on November 16, 2004, and took effect on December 1, 2004, a project management enterprise must obtain relevant qualifications for activities relating to engineering survey, design, construction, supervision, construction cost consulting and bidding agency. An enterprise engaging in these activities may apply for one or more qualifications other than the qualifications already obtained. Upon application for relevant qualifications by the enterprise, its previous project performance, technical and management personnel, registered capital, business premises and other relevant qualification factors may be assessed in a consolidated manner.

Pursuant to the Guidance on Developing Overall Contractors and Construction Project Management Enterprise, an overall contractor could be appointed by the owner to manage projects according to their contracts, but must not undertake overall contracting business at the same time.

### **Construction Project Consultation**

According to the Measure for Qualification Accreditation of Projects Consultation (《工程諮詢單位資格認定辦法》) that took effect on March 4, 2005, an enterprise must obtain a project consultation qualification certificate from the NDRC before conducting a projects consultation business. The NDRC issued Class 1 Consultation Qualification (《工程諮詢單位資格證書 (甲級) 》) and Class 2 Consultation Qualification (《工程諮詢單位資格證書 (乙級) 》) to Wison Engineering on August 22, 2010, both valid until October 22, 2013.

### **Special Equipment Design**

According to the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) that took effect on June 1, 2003 and were amended on January 24, 2009, a unit may not design pressure vessels until it has been licensed by the department for safety supervision administration of special equipment of the State Council. Pursuant to the

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Opinions on Several Issues of the Newly Amended Regulations on Safety Supervision of Special Equipment (《國家質檢總局關於實施新修改的<特種設備安全監察條例>若干問題的意見》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on May 7, 2009, the provincial competent department for safety supervision administration of special equipment is entrusted to take charge of the administration of special equipment, while the relevant license for special equipment must be issued by the General Administration of Quality Supervision, Inspection and Quarantine. The General Administration of Quality Supervision, Inspection and Quarantine (《國家品質監督檢驗檢疫總局》) issued Special Equipment Design Qualification (pressure tubes) (《特種設備設計許可證(壓力管道)》) to Wison Engineering on August 18, 2009, valid until August 17, 2013. The General Administration of Quality Supervision, Inspection and Quarantine issued Special Equipment Design Qualification (pressure vessels) (《特種設備設計許可證(壓力容器)》) to Wison Engineering on May 31, 2012, with validity until June 12, 2016.

### **Administration of Call for Tender and Submission of Bids**

In accordance with the "Tender Law of the PRC" (《中華人民共和國招標投標法》) (Presidential Decree No.21, the "Tender Law") that took effect on January 1, 2000, a call for tender is required for all aspects (including reconnaissance, design, construction, supervision and purchase of important equipment and materials in respect of constructions) of projects relating to social and public welfare and public security, such as large scale infrastructure and public utilities projects in the PRC, projects financed wholly or partly with state-owned funds or by state financing and projects financed by funds from an international organization or loans or aids from foreign governments (the "Tender Project"). The specific scope and threshold for bidding of the Tender Project is formulated by the development planning department under the State Council, together with the relevant departments under the State Council, and is submitted to the State Council for approval.

Pursuant to the Provisions on the Standards of the Scope of Tenders and Scale of Engineering Construction Projects (the "Provisions on Tendering Standards") (《工程建設項目招標範圍和規模標準規定》) issued on May 1, 2000, the Tender Project as defined in Article 3 of the Tender Law must go through the tendering process if such Tender Project meets one of the following conditions: (i) the estimated value of single construction contracts of over RMB 2 million; (ii) the estimated value of single key equipment and material procurement contracts of over RMB 1 million; (iii) the estimated value of single contracts for the procurement of services such as survey, design and supervision of over RMB 0.5 million; and (iv) single contracts with estimated value below the prescribed amount mentioned in (i), (ii) or (iii) but with total project investments of over RMB 30 million. The governments of provinces, autonomous regions and municipalities directly under the central government may formulate specific scope and scale standards according to the local conditions, provided that the scope for any Tender Project requiring use of the tendering process as specified herein may not be narrowed.

On April 14, 2012, the General Office of the State Council issued the "Notice of the General Office of the State Council on Forwarding the Opinions on Properly Implementing the Regulations for the Implementation of the Law on Bidding and Bid Issued by the State Development and Reform Commission, the Legislative Affairs Office of the State Council and the Ministry of Supervision" (國務院辦公廳轉發發展改革委、法制辦、監察部關於做好招標投標法

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實施條例貫徹實施工作意見的通知), indicating the intention of relevant government authorities to improve the mandatory bidding systems for construction projects. Pursuant to such Notice, the State Development and Reform Commission will, in conjunction with relevant departments, focus efforts on promptly revising the Provisions on Tendering Standards, determine the scientific and reasonable standards for scope and scale of engineering construction projects that are subject to the tendering process according to law, and make public and implement a revised version of the Provisions on Tendering Standards after the same is approved by the State Council.

According to the Tender Law, tenders may be conducted in the form of public tenders and invitational tenders. Pursuant to the Measures on Tendering and Bidding for the Construction of Engineering Construction Projects (《工程建設項目施工招標投標辦法》), the construction of the following engineering construction projects must go through the public tender process: (1) major national construction projects approved by the National Development and Reform Commission of the State Council; (2) major local construction projects approved by the governments of respective provinces, autonomous regions and municipalities directly under the central government; and (3) engineering construction projects wholly funded, controlled or led by state-owned entities, provided that the above projects may instead go through the invitational tendering process upon obtaining approval if such projects meet any of the following conditions: (1) where the number of potential bidders is limited due to the complexity or special requirements of technology; (2) where the project is subject to geographical or environmental limitations; (3) where the project relates to national security, state secrets or disaster relief (and is suitable for the tendering process, but where public tender is not appropriate); (4) where the cost for public tender is not worthwhile compared to the project value; and (5) where public tender for such project is inappropriate according to relevant laws and regulations. Pursuant to the Measures on Tendering and Bidding for the Survey and Design of Engineering Construction Projects (工程建設項目勘察設計招標投標辦法), the survey and design of the following engineering construction projects must go through the public tender process: (1) major national construction projects approved by the National Development and Reform Commission of the State Council; (2) major local construction projects approved by the governments of the respective provinces, autonomous regions and municipalities directly under the central government; and (3) engineering construction projects wholly funded, controlled or led by state-owned funds, provided that the above projects may instead go through invitational tendering process upon obtaining approval if such projects meet any of the following conditions: (1) where, due to a higher technical and professional requirement or special environmental resources condition, the number of potential bidders for the project meeting the qualifications is limited; (2) where the proportion of the costs of public tenders compared to the total investment of the engineering construction project is too high; and (3) where the construction condition is limited by natural factors and the timing of the implementation of the project will be affected if it goes through public tendering process.

Pursuant to the Tender Law, any violation involving the failure to call for a tender on a project where a tender process is obligatory may result in a penalty that is no less than 0.5% but no more than 1% of the relevant contract amount that should be subject to the tender process. In addition, if any state-owned funds are used for the relevant project, the construction process or the allocation of such funds may be suspended and sanctions may be imposed on the people in charge of the relevant project and anyone else who is considered to be directly responsible for the project.



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Pursuant to the Tender Law, a construction, reconnaissance, design or supervisory enterprise may submit a bid individually or as a consortium consisting of two or more legal persons or other organizations. All enterprises in the consortium must possess the corresponding capacity necessary to undertake the tendered project. When a consortium consists of enterprises specializing in the same fields, the consortium is deemed to have the same qualification as the enterprise with the lowest qualification level in the consortium. In the event that a bid is won, all parties in the consortium must jointly enter into a contract with the party that called for the tender and must assume joint and several liabilities with such party in respect of the tendered project.

The party that calls for the tender may determine the successful tenderer based on the written report on bid assessment by a bid evaluation commission or authorize the bid evaluation commission to determine the successful tenderer directly. The tender must be awarded to the tenderer that best satisfies the various comprehensive assessment standards set forth in the tender documents, or that meets the essential requirements at the lowest bid price. After identifying the successful tenderer, the party calling for the tender must issue a notice of award to the successful tenderer and notify the other tenderers of the result.

Pursuant to the Construction Law of the PRC (《建築法》), the party calling for tender may not accept bribes, illegitimate commissions or demand any other benefits in the course of calling for tender. The potential tenderer may not secure the tender by illegitimate means, such as offering bribes, illegitimate commissions or offering other benefits.

Anyone who, in the course of calling for tender, demands, accepts or offers bribes will be investigated and prosecuted for criminal liability in accordance with law; in addition, the person may be fined, the bribes may be confiscated, and the persons who are directly in charge and the other persons who are directly responsible for the offense may be given disciplinary sanctions. Any entity that offers bribes for securing the tender, apart from being penalized according to the provisions of the preceding paragraph, may be subject to order of business suspension, degrading of its qualification or withdrawal of its qualification certificate.

Pursuant to the Tender Law of the PRC (《招標投標法》), tenderers may not collude with each other in setting bid prices, nor may they exclude other tenderers from fair competition and harm the lawful rights and interests of the party calling for tender and other potential tenderers. Tenderers may not collude with the party calling for tender and harm the interests of the state, general public and other third parties. Tenderers are prohibited from securing the tender by offering bribes to the party calling for tender or any member of the bid evaluation committee.

If a tenderer wins the tender by colluding with other tenderers or the party calling for tender or by paying bribes to the party calling for tender or members of the bid evaluation committee, the bid must be invalidated and the bid winner may be subject to a fine of no less than 0.5% but no more than 1% of the total value of the project. The person-in-charge directly responsible for the entity or any other person who is held directly responsible for such tenderer may be subject to a fine of no less than 5% but no more than 10% of the total amount of fine imposed upon the entity. Any illegal gains so generated may also be confiscated. In case of a serious violation, the tenderer may be disqualified from tendering other projects for a term of one to two years and may be revoked of its business license by

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the Administration for Industry and Commerce. If the violation constitutes a crime, the tenderer must be criminally prosecuted. In the event a third party incurred losses therewith, the tenderer may be responsible to compensate for such loss.

### **Quality of Construction**

The Rules on the Administration of Construction Quality (《建設工程質量管理條例》) (Decree No.279 of the State Council of the PRC) implemented by the State Council on January 30, 2000 and took effect on January 30, 2000 provides that anyone engaging in the construction, expansion and modification of civil engineering, construction, pipeline work and equipment installation and renovation projects within the PRC, or the supervision and management of the quality of such projects, is subject to the rules.

Enterprises engaging in construction, survey, design and supervision must be accountable for the quality of their work. Any party initiating the construction must ensure it or any party to whom it subcontracts the project, has the requisite qualifications and may not contract out the projects by dividing the projects into parts. The construction may only be delivered for use after it has been assessed to be qualified. Parties engaging in survey, design, construction and supervision must, as required by the applicable laws, obtain qualification certificates, and undertake contractors' work as permitted by the level of qualification. Further sub-contracting by construction, survey and design units is prohibited. The party initiating the construction must, within 15 days following the date of satisfactory acceptance, submit the acceptance report, as well as the approval documents and permit of use issued by the departments for planning, public security and fire service, and environmental protection to the competent department for construction and administration or other departments concerned for record. In addition, construction works are subject to a system of quality guarantee.

### **Administration Control of Overseas Contracting Projects**

Pursuant to the provisions of the "Foreign Trade Law of the PRC" (《中華人民共和國對外貿易法》), Presidential Decree No.15), which was promulgated on May 12, 1994, amended on April 6, 2004 and implemented on July 1, 2004, entities that are engaged in project contracting outside of the PRC or labor cooperation outside of the PRC are required to have a corresponding qualification.

The "Measures for the Administration of Qualifications for Overseas Projects Contracting" (《對外承包工程資格管理辦法》) (Decree No.9 of 2009 of the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development of PRC) promulgated on September 28, 2009 and implemented on November 1, 2009 by the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development provides that none of the enterprises that engage in overseas projects contracting business may participate in overseas projects contracting activities before they have obtained the qualifications for overseas projects contracting and the "PRC Qualification Certificates for Overseas Projects Contracting" in accordance with the requirements of such measures.

Pursuant to the "Measures for the Administration of Operational Qualifications for Labor Service Cooperation with Foreign Parties" (《對外勞務合作經營資格管理辦法》), Decree No.3 of 2004 of MOFCOM and the State Administration for Industry and Commerce) promulgated on

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July 26, 2004 and implemented on August 26, 2004, and the “Notice of MOFCOM on Implementing the ‘Measures for the Administration of Operational Qualifications for Labor Service Cooperation with Foreign Parties’” (《商務部關於執行《對外勞務合作經營資格管理辦法》有關問題的通知》) promulgated and implemented on September 2, 2004, and the “Administration Regulations for Overseas Projects Contracting” (《對外承包工程管理條例》) (Decree No.527 of the State Council) promulgated on July 21, 2008 and implemented on September 1, 2008, enterprises that have been approved and issued with the “PRC Qualification Certificate for Overseas Projects Contracting” are entitled to send staff to foreign countries in connection with the overseas contracting projects, but they are not permitted to engage in activities that only involve labor sub-contracting and such labor staff must be under the unified management of their contracted overseas projects. The Shanghai Foreign Economic Relation & Trade Commission (《上海市對外經濟貿易委員會》) issued the Overseas Projects Contracting Operational Qualification (《對外承包工程經營資格證書》) to Wison Engineering on November 19, 2007, valid until April 30, 2013.

### Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (Presidential Decree No.22), issued by the Standing Committee of the National People’s Congress on December 26, 1989 and effective December 26, 1989 is the most important environmental protection law of China. The Environmental Protection Law prescribes the basic principle of harmonious development of economic growth, social advancement and environmental protection, and also defines the rights and obligations in respect of environmental protection of governments at all levels in China.

Pursuant to the Environmental Protection Law, the State Environmental Protection Administration sets the national emission standards for pollutants and is responsible for the supervision and control of environmental protection. The environmental protection department at the county and provincial or municipality levels, is responsible for environmental protection within its respective administrative sphere. The local environmental protection department may issue stricter local standards, which are binding on enterprises within their jurisdiction. The Environmental Protection Law prescribes that, any operation unit that could cause pollution or produce other hazards must take measures to protect the environment in its operation, establish a responsibility system for environmental protection, and must adopt efficient measures to control and properly dispose of waste gas, waste water, waste residues and other wastes. Entities emitting pollutants must report and register with the environmental protection authorities. Entities emitting pollutants in excess of the standards must pay a penalty for the excessive emissions and assume responsibilities for the remediation of the pollution.

Pursuant to the Experimental Scheme for Pollutants Emissions Permits (《排污許可證試點工作方案》) issued by the State Environmental Protection Administration, all legal entities that emit pollutants, directly or indirectly, to the surroundings, including the centralized municipal treatment facilities or other centralized treatment facilities for industrial pollutants, must obtain a Pollutant Emission Permit (《排放污染物許可證》).

Pursuant to the Regulations on Environmental Protection Management in Chemical Industry (《化學工業環境保護管理規定》) ([90] Hua Ji Zi No.781) promulgated by the Ministry of Chemical Industry on December 21, 1990, and Certain Regulations on the Environmental

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Protection Management of Construction Projects in Chemical Industry (《化學工業建設項目環境保護管理若干規定》) ([87] Hua Ji Zi No.733) promulgated by the Ministry of Chemical Industry on September 1, 1987, during the production and construction processes related to the chemical industry, parties must apply advanced technologies of non-pollution or less-pollution and reasonably develop and utilize various resources and energies, and control and manage pollutions such as waste water, waste gas and waste residues (“Three Wastes”), noises, vibration, dust, foul gas and radioactive materials to fulfill the discharge standard and environmental quality requirement regulated by the central or local government. During the construction process, the construction company must protect the environment around the construction site. If the construction would create dust, gas, noise, vibration and waste, they must use preventative measures. Upon the completion of the project, the construction company must revamp the environment and restore the original landscape of the surroundings.

Pursuant to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) (Presidential Decree No.87) promulgated by the standing committee of the National People’s Congress on May 11, 1984 and most recently amended on February 28, 2008, a national pollutant discharge permit system is implemented and all legal entities that directly or indirectly discharge to the water industrial wastewater, medical sewage and other wastewater and sewage that require pollutants discharge permits must obtain pollutants discharge permits before actual discharge. Pursuant to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) (Presidential Decree No.32) promulgated by the standing committee of the National People’s Congress on September 5, 1987 and most recently amended on April 29, 2000, all legal entities with restricted quantity of atmospheric pollutants must discharge pollutants strictly in compliance with major atmospheric pollutants discharge quantity restriction and discharge conditions as defined in the permit.

### Work Safety

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (Presidential Decree No.70) that took effect on November 1, 2002 and amended on August 27, 2009 (the “Work Safety Law”), the State Administration of Work Safety of the PRC is in charge of the overall administration of work safety in the PRC. The Ministry of Construction is also responsible for supervising work safety in relevant industries.

Production entities must provide safe work conditions as set forth in the Work Safety Law, relevant laws, regulations, rules and State or industry standards. An entity that cannot provide safe work conditions may not engage in production activities. The designers and the design firms of the safety facilities of a construction project are liable for their designs. A production entity must install prominent warning signs around its operation sites, facilities and equipment with relatively higher degree of danger. A production entity must ensure that its safety facilities are designed, constructed, and put into operation and used simultaneously with the principal parts of the projects.

According to the Regulations on License for Work Safety (《安全生產許可證條例》) (Decree No.397 of the State Council) promulgated by the State Council that took effect on January 13, 2004, and the “Administrative Provisions on the Work Safety License of

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Construction Enterprises” (《建築施工企業安全生產許可證管理規定》) (Decree No.128 of the Ministry of Construction) promulgated and implemented by the Ministry of Construction on July 5, 2004, all construction enterprises may not engage in construction activities without obtaining a work safety license. Shanghai Urban Construction and Communications Commission (《上海市城鄉建設和交通委員會》) issued Safety Production Permit (《安全生產許可證》) to Wison Engineering on December 21, 2010, valid until December 20, 2013.

In accordance with the “Several Complementary Requirements of the Ministry of Construction on Strictly Implementing the Administrative Provisions on the Work Safety License of Construction Enterprises” (《建設部關於嚴格實施建築施工企業安全生產許可證制度的若干補充規定》, Jianzhi (2006) No.18) promulgated and implemented by the Ministry of Construction on January 25, 2006, all main construction contractors and professional contractors must apply for and obtain a work safety license in accordance with law, with the exception of professional contractors who provide pre-mixing concrete products and concrete-made components.

According to the Regulation on Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》) (Decree No.393 of the State Council) promulgated by the State Council that took effect on February 1, 2004, an entity responsible for the work safety of a construction project must assume liability for work safety of the construction project. In a project covered by a main contract, the overall contractor is liable for the general work safety of the construction site, and assume joint obligations for the sub-contracted portions of the project together with the sub-contractors. A construction entity must purchase accidental injury insurance for injuries suffered in work-related accidents and must pay the insurance premium. In a construction project covered by a main contract, the insurance premium must be paid by the overall contractor. The period covered by the insurance policies must commence on the starting date of the construction project and may terminate on the date of the acceptance and inspection upon the completion of the project.

According to Regulation on Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》), Decree No.493 of the State Council) promulgated on April 9, 2007 by the State Council that took effect on June 1, 2007, production safety accidents are classified into four levels:

1. Significant Accident refers to incidents resulting in over 30 deaths, over 100 serious injuries (including acute industrial poisoning) or direct economic losses over RMB100 million;
2. Major Accident refers to incidents resulting in over ten but less than 30 deaths, more than 50 but less than 100 serious injuries (including acute industrial poisoning) or direct economic losses over RMB50 million but below RMB100 million;
3. Large Accident refers to incidents resulting in over three but less than 10 deaths, more than ten but less than 50 serious injuries (including acute industrial poisoning) or direct economic losses over RMB10 million but below RMB50 million; and
4. General Accident refers to incidents resulting in less than three deaths, less than ten serious injuries (including acute industrial poisoning) or direct economic losses below RMB10 million.



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The construction company must establish a comprehensive work safety accountability system and work safety training system, formulate work safety rules and operation rules, ensure adequate funding for work safety, conduct regular and specialized safety inspections, and keep records of the safety inspections, to prevent occurrence of any major safety incidents.

The violation of any of the above stipulations could lead to administrative punishment by the relevant regulatory authorities in the forms of rectification, warning, penalty, qualification downgrading, and cancellation of the work safety permit and qualification certificate.

### FOREIGN INVESTED CONSTRUCTION ENTERPRISES

On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation jointly promulgated the Regulations on the Administration of Foreign-funded Construction Enterprises (《外商投資建築業企業管理規定》) (Decree No.113 of the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation) that was implemented on December 1, 2002. On April 8, 2003, the Ministry of Construction promulgated the Implementation Measures for Credential Evaluation Provided in the Regulations on the Administration of Foreign-funded Construction Enterprises (《關於外商投資建築業企業管理規定中有關資質管理的實施辦法》) (Jian Shi [2003] No.73). On September 6, 2004, the Ministry of Construction and the Ministry of Commerce jointly promulgated the Circular on Strengthening the Administration of Credential Evaluation for Foreign-funded Construction Enterprises (《關於做好外商投資建築業企業資質管理工作有關問題的通知》) (Jian Shi [2004] No.159). These regulations provide that a foreign investor setting up an FIE engaged in construction activities within China is required to obtain an “Approval Certificate for Foreign Invested Enterprises” issued by the competent department of the Ministry of Commerce, register with the State Administration of Industry and Commerce or its authorized local bureaus of industry and commerce, and obtain a “Qualification Certificate for Construction Enterprises” issued by the competent administration department of the Ministry of Construction.

Foreign invested construction enterprises can be in the form of wholly foreign-owned construction enterprises, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises. The capital contributed by the PRC party for the Sino-foreign equity joint venture construction enterprise and the Sino-foreign co-operative joint venture construction enterprise may not be lower than 25% of the enterprise’s registered capital. Foreign invested construction enterprises engaging in construction activities within the PRC must comply with the laws, regulations and rules of the PRC. According to the Regulations on Administration of Foreign Invested Construction Enterprises (《外商投資建築業企業管理規定》), wholly foreign-owned construction enterprises may only undertake the following types of construction projects within the scope of their grades of qualification:

1. projects funded totally by foreign investments, foreign grants, foreign investments and grants;
2. construction projects financed by international financial organizations and awarded through international tendering in accordance with terms of the loan agreement;



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3. Sino-foreign joint construction projects where the foreign investment is equal to or greater than 50%; Sino-foreign joint construction projects with less than 50% foreign investment which cannot be independently undertaken by the PRC construction enterprises due to technological complications, subject to the approval of the construction administration departments of the provincial government, or governments of autonomous regions or directly administered municipalities; and
4. China-invested construction projects that PRC construction enterprises cannot undertake independently due to technological complications, may be jointly undertaken by PRC and foreign construction enterprises subject to the approval of the construction administration departments of the People's Government of provinces, or autonomous regions, or directly administered municipalities.

The above types of construction projects may also be undertaken by Sino-foreign co-operative joint venture construction enterprises and Sino-foreign equity joint venture construction enterprises. In addition, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises may carry out any construction projects within the permitted scope specified by the grade of their qualification.

Foreign invested construction enterprises that apply for the qualifications of Special Grade and Grade I overall contractor and Grade I professional contractor must be examined and approved by the competent department for administration of the Ministry of Commerce under the State Council, while their qualifications must be examined and approved by the competent department for construction of the Ministry of Construction under the State Council. Pursuant to the Notice of Entrusting the Provincial Competent Department for Administration of Commerce with Review and Approval of the Foreign-invested Construction Enterprises by the Ministry of Commerce (《商務部關於委託省級商務主管部門審核管理外商投資建築業企業的通知》) (Shang Zi Han [2005] No.90), promulgated on January 22, 2006, and implemented on March 31, 2006 by the Ministry of Commerce and the Notice of Cooperating with Competent Department for Administration of Commerce with respect to the Establishment and Management of the Foreign-invested Construction Enterprises and Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Construction of the PRC (《中華人民共和國建設部關於配合商務主管部門做好外商投資建築業企業、建設工程設計企業設立管理的通知》) (Jian Shi Han [2006] No.76), promulgated and implemented by the Ministry of Construction on March 29, 2006, the review and approval right for the establishment of foreign-invested construction enterprises that apply for the qualifications of Special Grade and Grade I main construction contractor and Grade I professional contractor has been entrusted to the provincial competent department for administration of commerce and management commission of national economic and technological development zone who must then consult with the competent department for administration of construction of the same level before granting the approval. The establishment of those that apply for the qualifications of Grade II (and below) overall contractor and professional contractor and the qualifications of labor sub-contractor must be examined and approved by the competent department for administration of foreign trade and economics of the province, autonomous region and municipality directly under the Central Government, while their qualifications must be examined and approved by the competent department for administration of construction of the province, autonomous region and municipality directly under the Central Government. If a

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foreign enterprise intends to invest in the equity of a domestic construction enterprise whose classification will be transformed into a Sino-foreign equity joint venture construction enterprise or Sino-foreign co-operative joint venture construction enterprise, the qualification of that invested enterprise must be reviewed and confirmed according to its actual level of qualification.

### Foreign Invested Construction and Engineering Design Enterprises

On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation jointly promulgated the Regulations on Administration of Foreign Invested Construction and Engineering Design Enterprises (《外商投資建設工程設計企業管理規定》) (Decree No.114 of the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation) effective from December 1, 2002. On December 19, 2003, the Ministry of Construction and the Ministry of Commerce jointly promulgated the Supplementary Regulations of the Regulations on Administration of Foreign invested Construction and Engineering Design Enterprises (《〈外商投資建設工程設計企業管理規定〉的補充規定》) (Decree No.122 of the Ministry of Construction and the Ministry of Commerce) effective from January 1, 2004. On January 5, 2007, the Ministry of Construction and Ministry of Commerce jointly promulgated and implemented the Rules for the Implementation of the Provisions on the Administration of Foreign-funded Construction Engineering Design Enterprises (《外商投資建設工程設計企業管理規定實施細則》) (Jian Shi [2007] No.18). Pursuant to such regulations, foreign investors setting up foreign invested construction and engineering design enterprises and engaging in construction activities within the PRC are required to obtain an “Approval Certificate for Foreign Invested Enterprise” issued by the competent administration department of the Ministry of Foreign Trade and Economics, and register with the State Administration of Industry and Commerce or its authorized local bureaus of industry and commerce, and obtain the “Qualification Certificates for Construction Enterprises” issued by the competent administration department of the Ministry of Construction.

Foreign invested construction and engineering design enterprises refer to wholly foreign-owned construction enterprises, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises established in accordance with the applicable laws and regulations of the PRC. The applications for the establishment and qualifications of foreign invested construction and engineering design enterprises are categorized for the purpose of approval. Foreign invested construction enterprises that apply for the qualifications of Class A of Construction Project Design and Class A and B of other construction projects must be examined and approved by the competent department of the Ministry of Foreign Trade and Economics and the competent department of the Ministry of Construction. Pursuant to the Notice of Entrusting the Provincial Competent Department for Administration of Commerce with Review and Approval of the Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Commerce (《商務部關於委託省級商務主管部門審核管理外商投資建設工程設計企業的通知》) (Shang Zi Han [2005] No.92), promulgated on January 22, 2006 and implemented on March 31, 2006 by the Ministry of Commerce, and the Notice of Cooperating with Competent Department for Administration of Commerce with respect to the Establishment and Management of the Foreign-invested Construction Enterprises and Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Construction of PRC (《中華人民共和國建設部關於配合商務主管部門做好外商投資建

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築業企業、建設工程設計企業設立管理的通知》(Jian Shi Han [2006] No.76), promulgated and implemented by the Ministry of Construction on March 29, 2006, the review and approval right for the establishment of foreign-invested construction and engineering design enterprises that apply for the qualifications of Class A of Construction Project Design and Class A and B of other construction projects has been entrusted to the provincial competent department for administration of commerce and management commission of national economic and technological development zone who must then consult with the competent department for administration of construction of the same level before granting the approval. The establishment of those that apply for the qualifications of Class B of Construction Project Design and Class C (or below) for other construction projects must be examined and approved by the competent department for administration of foreign trade and economics at the relevant provincial, autonomous region and municipal level.

### Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《外匯管理條例》), as most recently amended on August 5, 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, unless the prior approval of SAFE or its local branch is obtained and prior registration with the same is completed. In addition, any loans to foreign invested enterprises must not, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Further, any foreign loan must be registered with SAFE or its local branch for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by MOFCOM or its local branch.

The dividends paid by a subsidiary to its shareholders are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign invested enterprises in China may purchase or remit foreign exchange, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

### Dividend Distribution

The principal regulations governing the distribution of dividends by foreign holding companies include the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as amended, and the administrative rules thereunder. Under these regulations, foreign invested enterprises in the PRC may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign invested enterprises in the PRC are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds,

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unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

### **Circular 75**

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), issued on October 21, 2005 and effective on November 1, 2005, (i) a person residing in the PRC (a "PRC Resident") must register with the local branch of SAFE before he or she may establish or control a special purpose vehicle (a "SPV") for the purpose of overseas equity financing (including convertible debt financing) with the assets of or equity interests in a domestic enterprise that is owned by him or her; (ii) when a PRC Resident contributes the assets of or its equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any changes to such interest in the overseas SPV with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local branch of SAFE.

Under Circular 75, failure to comply with the registration procedures may result in the imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the non-PRC SPV and penalties, including orders of remittance of foreign exchange illegally paid out of China back into China and the imposition of fines.

Mr. Hua, our founder, Chairman and a Controlling Shareholder, has registered with the Shanghai Branch of SAFE as required under Circular 75.

### **M&A Regulations and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, namely MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation ("SAT"), the State Administration for Industry and Commerce, the China Securities Regulatory Commission ("CSRC"), and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), which became effective on September 8, 2006 and were amended on June 22, 2009 (the "M&A Rules"). The M&A Rules require, among other things, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. In addition, the M&A Rules require that any listing on an overseas stock exchange of an offshore special purpose vehicle, or the SPV, directly or indirectly controlled by any PRC domestic company or citizen is subject to the CSRC's approval.

Based on its understanding of current PRC laws and regulations, our PRC legal advisers are of the opinion that as Wison Engineering (formerly known as Shanghai Wison Chemical Engineering Co., Ltd.) and Wison Yangzhou were foreign-invested enterprises prior

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to September 8, 2006, the effective date of the M&A Rules, the M&A Rules do not apply to the acquisition of Shanghai Wison and Wison Yangzhou by Wison Energy in December 2008.

### Tax Laws

In accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the “Old EIT Law”) and the related implementing articles, foreign invested enterprises incorporated in the PRC are generally subject to an enterprise income tax (“EIT”) of 30% plus 3% local income tax on their assessable income.

The Old EIT Law and related implementing articles provide certain favorable tax treatments to foreign invested enterprises that qualify as “manufacturing enterprises” and plan to be in operation for ten years or more. Tax incentives are also available to foreign invested enterprises that are located in specially designated cities or regions.

On January 1, 2008, the Old EIT Law was abolished, and the New Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “New EIT Law”), promulgated on March 16, 2007, as well as the Implementing Regulations for the PRC Enterprise Income Tax Law (《企業所得稅法實施條例》, “Implementation Rules”), promulgated on December 6, 2007, became effective. Pursuant to the New EIT Law, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on December 26, 2007, (i) enterprises that enjoy the low tax rate of 15% are subject to a transitional tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012, and (ii) enterprises that had enjoyed the preferential policy of full exemption for the first two years and half EIT concession for the next three years since the first profit-making year, must continue to enjoy the former policy until the preferential period expired; enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make profit must enjoy the aforesaid preferential policy from 2008. The New EIT Law also provides that enterprises that are established in accordance with the law of a foreign country (or region) and whose “de facto management bodies” are located in China are considered “tax resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate of their global income. Under the Implementation Rules, “de facto management bodies” is defined as the bodies that have, in substance, overall management and control over such aspects as production and business, personnel, accounts and properties of an enterprise. The New EIT Law and the Implementation Rules have only recently taken effect. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining “de facto management bodies”.

Under the New EIT Law and the Implementation Rules, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an established place of business in China or, despite the existence of such established place of business in China, whose relevant income is not actually connected with such place of business (such as dividends paid by a PRC subsidiary to its overseas parent) is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides for a different withholding arrangement. Under an arrangement between China



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and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity directly owns at least 25% of the equity interest of the PRC company.

On February 20, 2009, the SAT promulgated the Notice on Relevant Issues concerning Implementation of Dividend Clauses under Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “2009 Notice”). Pursuant to the 2009 Notice, transactions or the arrangements, with the purpose of obtaining preferential tax treatment, do not justify the application of preferential treatment stipulated in dividend clauses under tax treaties. If the tax payer improperly enjoys the preferential treatment under tax treaties as a result of these arrangements, the tax authority is entitled to make adjustment. As the 2009 Notice is newly issued, it remains unclear how the PRC tax authorities will implement it in practice.

On January 9, 2009, the SAT promulgated the Interim Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》) (the “Interim Measures”), which took effect retroactively on January 1, 2009. In accordance with the Interim Measures, if a non-resident enterprise receives income originating from China, or other taxable income, including equity investment income such as dividend and profit, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income must be withheld by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise.

Under the New EIT Law and the Implementing Regulations, certain qualifying high-technology enterprises may still benefit from a preferential tax rate of 15% if they satisfy certain conditions, including owning their core intellectual properties and their products or services falling into the scope of certain State-supported high-tech industries specified by the government, and obtain a “high-technology enterprise” certificate in accordance with the relevant regulations, including the Administrative Measures for Determination of High-technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, Ministry of Finance and SAT on April 14, 2008.

Wison Engineering was incorporated as a domestic limited liability company on November 14, 1997, but was converted into a Sino-foreign cooperative joint venture, a type of foreign invested enterprise, on September 11, 2003. As a foreign invested enterprise operating in the construction industry, Wison Engineering qualifies as a “manufacturing enterprise”. Wison Engineering is also located in the Shanghai Pudong New Area. Therefore, it was entitled to a preferential EIT rate of 15% according to the Old EIT Law and related implementing articles. Wison Engineering was entitled to a two-year exemption from EIT for its first two profitable years of operation, which were 2004 and 2005. Wison Engineering was also entitled to a 50% relief from EIT, which resulted in an effective EIT rate of 7.5%, for 2006 and 2007. After the New EIT Law took effect on January 1, 2008, the applicable tax rate for Wison Engineering in 2008 became 18% pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (Circular 39), and thus its effective EIT rate was 9% in 2008.



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Wison Engineering obtained a “high-technology enterprise” certificate in November 2008, which was renewed in October 2011, from competent authorities in accordance with the relevant regulations. According to the approval from its local taxation authority, Wison Engineering is entitled to a preferential tax rate of 15% as a high and new technology enterprise from January 1, 2009 to December 31, 2013.

Wison Yangzhou is a wholly foreign owned enterprise, which is also a type of foreign invested enterprise. Wison Yangzhou was entitled to a preferential EIT rate of 24% and local income tax rate of 3% prior to January 1, 2008. In addition, Wison Yangzhou was exempt from EIT for two years, commencing from its first year with assessable profits after deducting tax losses brought forward from prior years, and was entitled to a 50% relief from EIT for the subsequent three years. Wison Yangzhou was exempt from local tax for five years commencing from its first year of assessable profits. The year ended December 31, 2006 was Wison Yangzhou’s first year with assessable profits and therefore Wison Yangzhou was exempt from EIT from January 1, 2006 to December 31, 2007 and entitled to a preferential tax rate of 12.5% from January 1, 2008 to December 31, 2010.

On April 30, 2009, the Ministry of Finance and State Administration of Taxation issued the Notice on Certain Issues Concerning the Handling of Enterprise Income Tax in Enterprise Restructuring (《關於企業重組業務企業所得稅處理若干問題的通知》) (Cai Shui [2009] No.59, “Circular 59”), which took effect retroactively on January 1, 2008. In accordance with Circular 59, where an enterprise is involved in an equity or assets acquisition transaction across the interior and exterior of China (including Hong Kong, Macau and Taiwan), special taxation provisions could be applied if all of the following requirements are satisfied:

1. (i) a non-resident enterprise transfer equity of a resident enterprise it owns to another non-resident enterprise under its whole and direct control, (ii) no change is caused thereby to the subsequent withholding tax burden on such equity transfer income, and (iii) the transferor non-resident enterprise makes a written commitment to the competent tax authority that it will not transfer the equity of the transferee non-resident enterprise it owns within three years (inclusive);
2. such transaction has reasonable business purpose without taking deduction, exemption or deferment of tax payment as the primary purpose;
3. the proportion of the assets or equity purchased, merged or separated conforms to the proportion prescribed by Circular 59;
4. the original substantive business activity is maintained for 12 consecutive months after the enterprise restructuring;
5. the amount of payment of equity interest involved in the restructuring conforms to the proportion prescribed by Circular 59; and
6. the original main shareholders who have obtained the payment of equity interests in enterprise restructuring may not, within 12 consecutive months after the restructuring, transfer the equity obtained.

On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains

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from Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (Guo Shui Han [2009] No. 698, the “SAT Circular 698”), which demonstrates SAT’s jurisdiction over the indirect equity transfer of PRC resident enterprises via disposing the equity of a SPV offshore China. Pursuant to the SAT Circular 698, the offshore transferor that interposes a SPV as an intermediate holding company for its investment in the PRC subsidiary will be required to report the indirect transfer of the equity interest of the SPV to the PRC local-level tax bureau in charge of the PRC subsidiary if the effective tax rate of the jurisdiction over the transferee is less than 12.5%, or that jurisdiction does not tax foreign income of the transferee. The PRC tax authorities will examine the true nature of the transfer through such reporting documents and determine whether such transfer constitutes evasion of PRC taxation through abusive arrangement without reasonable commercial purpose. Based on the “substance over form” principle, PRC tax authorities may re-characterize the transfer and disregard the existence of the SPV. Once a SPV is disregarded, the transfer should be effectively treated as non-resident enterprises transferring the PRC subsidiary’s equity, and thus the transfer gain is subject to withholding tax.

Violation of the above-mentioned law, rules or notice may result in the imposition of fines, penalties, suspension of operations, an order to cease operations, or even criminal liability for severe cases.

### **Labor and Social Insurance**

The PRC has many labor and safety laws, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the PRC Social Insurance Law (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for operations in the PRC.

According to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), labor contracts must be in written form and executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The company must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant training to its employees. Employers are also required to provide safe and sanitary working conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the PRC Social Insurance Law (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Provisional Measures on Insurance for Employee Maternity (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), companies are obliged to provide employees in the PRC with welfare schemes covering pensions, unemployment, maternity, work-related injury and medical care.

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### PRC Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated on August 23, 1982, and subsequently amended on February 22, 1993 and October 27, 2001. Under this law, any of the following acts is an infringement upon the right to exclusive use of a registered trade mark:

- using a trade mark that is identical or similar to the registered trade mark on the same kind of commodities or similar commodities without a license from the registrant of that trade mark;
- selling commodities that infringe upon the right to exclusive use of a registered trade mark;
- forging or manufacturing without authorization the marks of a registered trade mark of others or selling the marks of a registered trade mark forged or manufactured without authorization;
- changing a registered trade mark and placing the commodities with the changed trade mark without the consent of the registrant of that trade mark; or
- causing other damage to the right to exclusive use of a registered trade mark of another person.

In the event of an infringement, the infringer would be fined, ordered to stop the infringement acts immediately and required to indemnify the infringed party.

### PRC Patent Law

According to the PRC Patent Law (《中華人民共和國專利法》), last amended on December 27, 2008, protective patents fall into three categories: invention patents, utility model patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement and the term of protection for invention patents is 20 years from the date of application. Utility model patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or a combination, and the term of protection for utility model patents is ten years from the date of application. Design patents are intended to protect new designs of a product's shape, graphic or color with aesthetic and industrial application value and the term of protection for design patents is ten years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by the patent of any category or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

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### HISTORY AND REORGANIZATION

#### Corporate development

Wison Engineering, our main operating subsidiary, was established as a company with limited liability under the laws of the PRC on November 14, 1997 with a registered capital of RMB5 million. The term of operation of Wison Engineering is from November 14, 1997 to November 13, 2027. At the time of its establishment, Mr. Hua, our Chairman and executive Director, and Mr. Hua Bangshan (Mr. Hua's elder brother) held 40% and 60% equity interest, respectively, in Wison Engineering. Since the establishment of Wison Engineering in 1997, Mr. Hua has been primarily responsible for and involved in the day-to-day management of our Group.

On June 27, 2002, Mr. Hua Bangshan and Jiangsu Xinhua (an entity in which Mr. Hua and Mr. Hua Bangshan held 80% and 20% equity interest, respectively, at that time) entered into an equity transfer agreement pursuant to which Mr. Hua Bangshan agreed to transfer all of his 60% equity interest in Wison Engineering to Jiangsu Xinhua in consideration for RMB3 million, which consideration was based on the registered capital of Wison Engineering, amounting to RMB5 million, at the relevant time. On July 1, 2002, the shareholders of Wison Engineering approved the increase in registered capital from RMB5 million to RMB50 million and Jiangsu Xinhua and Mr. Hua contributed RMB18 million and RMB12 million, respectively. The remaining balance of RMB15 million was contributed from the undistributed profit of Wison Engineering. The above equity interest transfer and capital increase was completed on July 19, 2002 and thereafter Wison Engineering was owned by Jiangsu Xinhua and Mr. Hua as to 60% and 40%, respectively.

To facilitate the conversion of Wison Engineering into a Sino-foreign co-operative joint venture, Wison Technology, a subsidiary of ours, was incorporated as a company with limited liability under the laws of the BVI on April 23, 2003. At the time of its incorporation, Mr. Hua held the entire issued share capital of Wison Technology, which was transferred to, and has been wholly owned by, Wison Holding, since June 3, 2004. On July 15, 2003, Mr. Hua and Jiangsu Xinhua entered into an equity transfer agreement with Wison Technology, pursuant to which Wison Technology acquired 40% and 35% of the equity interest in Wison Engineering held by Mr. Hua and Jiangsu Xinhua, respectively, in an aggregate consideration paid in U.S. dollars equivalent to RMB37.5 million, which consideration was based on the net asset value of Wison Engineering at the relevant time. Upon completion of the said equity interest transfers on September 11, 2003, Wison Technology owned 75% and Jiangsu Xinhua owned 25% of the equity interest, respectively, in Wison Engineering.

As a result of Wison Technology's holding in Wison Engineering as contemplated by the above equity transfer agreements, Wison Engineering obtained a foreign investment enterprise approval certificate from the Shanghai Municipal People's Government on August 22, 2003, and on September 11, 2003, it was officially converted into a Sino-foreign co-operative joint venture between Wison Technology and Jiangsu Xinhua. As a Sino-foreign co-operative joint venture, Wison Engineering is eligible to undertake construction projects in the PRC.

The registered capital of Wison Engineering was subsequently increased from RMB50 million to RMB60 million on June 30, 2004, from RMB60 million to RMB120 million on

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December 14, 2004 and from RMB120 million to RMB300 million on December 28, 2004, whereupon Jiangsu Xinhua and Wison Technology contributed the said increases in registered capital in accordance with their respective equity interests in Wison Engineering.

In order to further expand our business, Wison Engineering established branch offices in Beijing on August 13, 2002, in Fushun, Liaoning on December 5, 2005. Pursuant to an agreement relating to merger by absorption entered into between Wison Engineering and Henan Design Institute on December 22, 2006 (as supplemented by a supplemental agreement dated August 31, 2007), Wison Engineering and Henan Design Institute agreed to undergo a reorganization by way of merger by absorption with Wison Engineering as the surviving legal entity after the merger, assuming all assets, liabilities and business of Henan Design Institute and Henan Design Institute being dissolved accordingly.

On January 13, 2007, the original shareholders of Henan Design Institute (30 individuals, all of whom were Independent Third Parties) entered into an equity transfer agreement with Wison Technology and Jiangsu Xinhua, pursuant to which Wison Technology and Jiangsu Xinhua agreed to acquire 75% and 25% of the aggregate equity interest of Henan Design Institute held by the said 30 shareholders at the consideration of RMB13.5 million and RMB4.5 million, respectively. The consideration was determined on an arm's length basis and was calculated by multiplying the original capital contribution of these 30 shareholders by three. Henan Design Institute subsequently became a branch office of Wison Engineering in Zhengzhou, Henan on November 26, 2007 with the term of operation from November 26, 2007 to May 25, 2027, and the business scope of this branch office is to conduct project design for the chemicals, petrochemicals and medical industries, and the provision of consulting and management services relating to petrochemicals construction projects and related technology and sales of self-produced products. Upon completion of the merger of Henan Design Institute by absorption in November 2007, the registered capital of Wison Engineering was increased from RMB300 million to RMB306 million and Wison Engineering was owned by Wison Technology and Jiangsu Xinhua as to 75% and 25%, respectively.

In order to enhance our ability to supply heat resistant alloy products for Wison Engineering, Wison Yangzhou was established on May 18, 2004 by Wison Technology as a WFOE in the PRC with a registered capital of US\$8.0 million for the purpose of manufacturing and selling chemical machinery and accessories and heat resistant alloy products. On August 13, 2007, Wison Yangzhou completed its increase in registered capital from US\$8.0 million to US\$13.0 million. The term of operation of Wison Yangzhou is from May 18, 2004 to May 17, 2034.

In preparation for the Listing, our Company was incorporated in the Cayman Islands with limited liability on June 30, 2004 and subsequently became a wholly owned subsidiary of Wison Holding on July 12, 2004 until completion of the corporate reorganization, as explained below.

On December 21, 2006, Mr. Hua, Mr. Hua Bangshan and Mr. Han Jianyu (韓建宇), an Independent Third Party at the time, entered into an equity transfer agreement pursuant to which Mr. Hua and Mr. Hua Bangshan transferred their respective 88.29% and 11.71% equity interests in Jiangsu Xinhua to Mr. Han Jianyu at nil consideration. Mr. Hua, Mr. Hua Bangshan and Mr. Han Jianyu have been acquainted with each other since childhood. The



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consideration for such transfer was determined with reference to both the prospective value of Jiangsu Xinhua, and the fact that, at the time of the disposal, Jiangsu Xinhua was operating at a loss. The disposal also took into account the following factors: (i) prior to the transfer of the equity interest in Jiangsu Xinhua, Mr. Han Jianyu gave an undertaking in favor of Mr. Hua and Mr. Hua Bangshan to be responsible for all the debts and liabilities of Jiangsu Xinhua and also to be liable for all potential liabilities that Mr. Hua and Mr. Hua Bangshan may have assumed while they were shareholders of Jiangsu Xinhua; (ii) Mr. Han Jianyu assisted Jiangsu Xinhua during the early stage of its operation, especially in the marketing and promotion of its products. In light of the above, the disposal was made by Mr. Hua and Mr. Hua Bangshan partly to show their personal gratitude to Mr. Han for his assistance with respect to Jiangsu Xinhua; (iii) Mr. Hua and Mr. Hua Bangshan believe that Mr. Han has the ability to effectively manage and operate Jiangsu Xinhua. This was an important consideration for Mr. Hua and Mr. Hua Bangshan at the time of the disposal, because Jiangsu Xinhua will continue to remain as a shareholder of Wison Engineering after the Listing and it is in our interest that one of our shareholders is operated and managed by a capable individual; and (iv) such transfer would permit Wison Engineering to remain as a Sino-foreign co-operative joint venture construction enterprise in furtherance of the business of Wison Engineering, as discussed below.

We have adopted the Sino-foreign co-operative joint venture construction enterprise structure for Wison Engineering as it will allow us to undertake a wider range of construction projects than if it were a wholly-foreign owned construction enterprise. During the three years ended December 31, 2011 and the six months ended June 30, 2012, our revenue derived from projects that could only be undertaken by a Sino-foreign joint venture construction enterprise, and not by a wholly foreign owned enterprise, accounted for at least 70%, 95%, 95% and 85% of our total revenue, respectively. According to the Regulations on Administration of Foreign-Invested Construction Enterprises, regulations, the registered capital contributed by the PRC domestic investment entity for a Sino-foreign co-operative joint venture construction enterprise cannot be lower than 25% of the total registered capital of such enterprise. See “Summary of PRC Laws and Regulations – Foreign Invested Construction Enterprises” for further details. As such, Wison Engineering must be owned as to a minimum of 25% by one or more PRC domestic investment entities at all times. As explained above, prior to the disposal, Jiangsu Xinhua was owned by Mr. Hua and Mr. Hua Bangshan. As Mr. Hua has subsequently obtained Hong Kong residency, this could affect whether Jiangsu Xinhua would be viewed as a PRC domestic investment entity under the relevant PRC laws and regulations if Mr. Hua had retained his equity interest. In order to avoid any ambiguity in this regard, Mr. Hua and Mr. Hua Bangshan decided to transfer all their equity interests in Jiangsu Xinhua to a PRC citizen, namely Mr. Han Jianyu. Immediately after completion of such transfer, Mr. Hua and Mr. Han Jianyu owned 75% and 25%, respectively, of the ultimate beneficial interest in Wison Engineering, and Mr. Hua Bangshan ceased to have any ultimate beneficial interest in Wison Engineering. Taking into consideration the current shareholding structure of Wison Engineering, which is owned as to 75% by Wison Energy (HK) and 25% by Jiangsu Xinhua, the circumstances in which Wison Engineering may lose its Sino-foreign cooperative joint venture construction enterprise status include, but are not limited to, the following: (i) Jiangsu Xinhua transfers all or part of its equity interest in Wison Engineering to an entity whose equity interest is directly or indirectly owned by a foreigner or foreign entity; (ii) any increase or decrease of Wison Engineering’s



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registered capital after which the PRC domestic party's or parties' capital contribution in Wison Engineering becomes less than 25% of the registered capital thereof; (iii) Mr. Han Jianyu transfers all or part of his equity interest in Jiangsu Xinhua to a foreigner or foreign entity; or (iv) the capital contribution in Jiangsu Xinhua by PRC domestic persons or entities becomes less than 100% of the registered capital of Jiangsu Xinhua.

As of the Latest Practicable Date, Mr. Han Jianyu continued to own the entire equity interest in Jiangsu Xinhua and he was appointed as a director of Wison Engineering pursuant to the articles of association of Wison Engineering. Mr. Han Jianyu is the legal representative of and the ultimate beneficial owner of his equity interest in Jiangsu Xinhua. Therefore, Mr. Han Jianyu has become a connected person of our Company. Save as aforesaid, Mr. Han Jianyu is independent from our Company, its Controlling Shareholders, Directors and senior management and any of their respective associates.

Pursuant to the articles of association and the Sino-foreign cooperative joint venture contract of Wison Engineering, the profits of Wison Engineering that are distributable to its shareholders are required to be distributed as to 90% to Wison Energy (HK) and as to 10% to Jiangsu Xinhua. Neither the articles of association nor the Sino-foreign cooperative joint venture contract of Wison Engineering expressly provides for the method of sharing losses by its shareholders. However, as Wison Engineering is a limited liability company, its shareholders are not liable for its debts and its shareholders' liabilities are limited to the value of their equity interest.

The articles of association and the Sino-foreign cooperative joint venture contract of Wison Engineering govern and regulate the rights and obligations of Wison Energy (HK) and Jiangsu Xinhua as shareholders in Wison Engineering, pursuant to which, among other things:

- (i) any transfer of the equity interest in Wison Engineering by Jiangsu Xinhua and/or Wison Energy (HK) to any third-party requires the written consent of the other party and the transfer is only effective upon obtaining the necessary approval from the relevant competent government authority. When one party transfers all or part of its contributed capital, the other party has the right of first refusal;
- (ii) any increase or decrease in registered capital of Wison Engineering requires written consent from both Jiangsu Xinhua and Wison Energy (HK) and unanimous approval of those directors of Wison Engineering in attendance at the relevant board meeting. Further, in the event that an increase in the registered capital of Wison Engineering is warranted and Jiangsu Xinhua is not willing to or not able to make a further capital contribution, Wison Energy (HK) is entitled to invite a third party to contribute the increased capital in place of Jiangsu Xinhua, which allows Wison Energy (HK) to take the necessary actions to ensure that the aggregate capital contribution of PRC domestic parties to Wison Engineering will not be less than 25% of the registered capital as a result thereof; and
- (iii) Wison Energy (HK) is entitled to appoint two out of three directors of Wison Engineering and Jiangsu Xinhua is entitled to appoint the third director. At least two-thirds of the board of directors of Wison Engineering must be present to

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constitute a valid board meeting. As required under the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Detailed Rules for the Implementation of the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》), the following matters require unanimous approval from the directors attending the relevant board meeting (“Unanimous Matters”): amendment of articles of association; increase or decrease of registered capital; merger, division and change of company form; termination, dissolution or liquidation; and mortgage of assets. All other matters requiring the approval of the board require the approval of a simple majority of those directors attending the relevant board meeting.

Although the director of Wison Engineering appointed by Jiangsu Xinhua may act to veto the Unanimous Matters by attending the relevant board meeting and casting a negative vote, such director, as is the case with every director of Wison Engineering, must perform his duties as a director to act in the best interests of Wison Engineering in accordance with relevant PRC laws and regulations. Up to the Latest Practicable Date, the director appointed by Jiangsu Xinhua has not acted to veto any matter brought before the board of directors of Wison Engineering since Mr. Han Jianyu became the holder of all the equity interests in Jiangsu Xinhua. We believe that it is unlikely that the director appointed by Jiangsu Xinhua will act to veto any action with respect to the Unanimous Matters for so long as the proposed actions are in the best interests of Wison Engineering.

Our PRC legal advisers have confirmed that under the Sino-foreign cooperative joint venture contract of Wison Engineering, the board of directors of Wison Engineering is responsible for the ultimate operations and management of Wison Engineering and no shareholders’ consent or approval is required in relation to the business and affairs of Wison Engineering other than amendments to, extension or mutually agreed termination of the Sino-foreign cooperative joint venture contract of Wison Engineering, transfers of equity interests in Wison Engineering as set out above and the increase or decrease of registered capital of Wison Engineering. Further, save for certain limited matters that require unanimous approval of those directors attending and voting as described above, board decisions require the approval of a simple majority of the directors attending and voting.

Notwithstanding the aforesaid circumstances that may affect Wison Engineering’s status as a Sino-foreign cooperative joint venture construction enterprise, and in addition to the provisions in the Sino-foreign cooperative joint venture contract of Wison Engineering regulating transfer of equity interest therein and contribution of registered capital thereof as set out above, each of Mr. Han Jianyu and Jiangsu Xinhua has irrevocably and unconditionally undertaken to our Company, Wison Energy (HK) and Wison Engineering that: (i) without the prior written consent of our Company and Wison Energy (HK), Mr. Han Jianyu will not directly or indirectly dispose of any of his equity interest in Jiangsu Xinhua; (ii) in order to ensure that Wison Engineering will remain as a Sino-foreign cooperative joint venture construction enterprise with the relevant licenses and permits required to continue with its existing business, Mr. Han Jianyu will not directly or indirectly cause Jiangsu Xinhua to, and Jiangsu Xinhua will not, lose its status as a PRC domestic party to Wison Engineering, the Sino-foreign co-operative joint venture construction enterprise; (iii) in the event that Jiangsu Xinhua may lose or loses its status as a PRC domestic party of Wison Engineering, at the request of our Company or Wison Energy (HK), (1) Mr. Han Jianyu will transfer his interest in

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Jiangsu Xinhua or (2) Jiangsu Xinhua will transfer its interest in Wison Engineering, as the case may be, to a transferee nominated by our Company or Wison Energy (HK) at a consideration that is equal to the registered capital contributed by Jiangsu Xinhua to Wison Engineering and the corresponding portion of the available but undistributed profits of Wison Engineering, if any, in respect of the equity interest to be transferred; and (iv) Mr. Han Jianyu and Jiangsu Xinhua will procure that any successor to Mr. Han Jianyu's interest in Jiangsu Xinhua and Jiangsu Xinhua's interest in Wison Engineering will be bound by the same terms and conditions of such undertaking.

Should Mr. Han Jianyu cease to hold his interest in Jiangsu Xinhua as a result of his death and Jiangsu Xinhua loses its status as a PRC domestic party of Wison Engineering, we would be able to enforce our rights under the undertaking given by Jiangsu Xinhua, to require Jiangsu Xinhua, at our request, to transfer its interest in Wison Engineering to a transferee nominated by us.

To further enhance our rights under the undertaking given by Mr. Han Jianyu and Jiangsu Xinhua, we have taken steps to entrench the principles set forth in the undertaking into the Sino-foreign cooperative joint venture contract and the articles of association of Wison Engineering. Each of the Sino-foreign cooperative joint venture contract and the articles of association of Wison Engineering has been amended to ensure that Wison Engineering will be able to maintain its status as a Sino-foreign cooperative joint venture construction enterprise with the requisite licenses and permits required for operating its business, in the event that (i) Jiangsu Xinhua ceases to be the PRC domestic party of Wison Engineering; (ii) Mr. Han Jianyu ceases to directly hold the entire equity interest in Jiangsu Xinhua; or (iii) due to reasons caused by or relating to Jiangsu Xinhua or Mr. Han Jianyu, Wison Engineering fails to satisfy or comply with the conditions or requirements for maintaining the requisite licenses and permits required for operating its business, Jiangsu Xinhua will, at the request of Wison Energy (HK), transfer its equity interest in Wison Engineering to a transferee designated by Wison Energy (HK) at a consideration to be agreed by the parties. Mr. Han Jianyu has confirmed in writing to Wison Engineering and Wison Energy (HK) on September 25, 2012 that the consideration referred to above will be equal to the registered capital contributed by Jiangsu Xinhua to Wison Engineering and the corresponding portion of the available but undistributed profits of Wison Engineering. Our PRC legal advisers are of the view that such arrangement does not contravene applicable PRC laws and regulations. Further, the amended Sino-foreign cooperative joint venture contract and the amended articles of association of Wison Engineering are subject to approval by and filing with the relevant competent authorities, which was completed in October 2012, and third parties will be put on notice by reason of such filing. Accordingly, we believe that, and our PRC legal advisers are of the view that, such measures should facilitate and expedite the process of any proceedings which we may institute to enforce our rights.

Our PRC legal advisers have confirmed that if Jiangsu Xinhua breaches the Sino-foreign cooperative joint venture agreement or the articles of association of Wison Engineering, or Mr. Han Jianyu or Jiangsu Xinhua breaches the terms of the undertaking, Wison Energy (HK) will be entitled, under PRC law, to initiate proceedings to request Jiangsu Xinhua and Mr. Han Jianyu to comply with the Sino-foreign cooperative joint venture agreement of Wison Engineering, the articles of association of Wison Engineering and/or the undertaking as applicable. To our best knowledge and based on the information available to

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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us, since Mr. Han Jianyu became the sole shareholder of Jiangsu Xinhua and up to the Latest Practicable Date, there has been no breach of the Sino-foreign cooperative joint venture agreement of Wison Engineering by the parties thereto.

We believe that the maintenance of Jiangsu Xinhua as a PRC domestic party, for the purpose of being the PRC domestic party of the Sino-foreign cooperative joint venture construction enterprise that is Wison Engineering, will be in the best interest of Jiangsu Xinhua as it is entitled to 10% of the distributable profits of Wison Engineering. The interests of Jiangsu Xinhua and its sole shareholder, Mr. Han Jianyu, would be significantly jeopardized were Jiangsu Xinhua to cease to be a PRC domestic party, causing Wison Engineering to cease to be a Sino-foreign cooperative joint venture construction enterprise.

As of the Latest Practicable Date, the registered capital of Wison Engineering was RMB306.0 million which was owned by Wison Energy (HK) and Jiangsu Xinhua as to 75%, or RMB229.5 million, and 25%, or RMB76.5 million, respectively.

To further expand our business to overseas markets, in particular the Middle East, Southeast Asia and Latin America markets, Wison Engineering established branches in Saudi Arabia in August 2008 and in Venezuela in April 2012 and a representative office in Jakarta, Indonesia in August 2011.

On June 3, 2008, Wison Energy (HK) was incorporated in Hong Kong and it became a wholly owned subsidiary of Wison Technology. Wison Energy (HK) acts principally as a holding company of our PRC subsidiaries and is also engaged in import and export sales of equipment and parts for projects of Wison Engineering. As part of the corporate reorganization, Wison Technology and Wison Energy (HK) entered into an equity transfer agreement dated November 2, 2008 (as supplemented by a supplemental agreement dated May 14, 2010), pursuant to which Wison Technology agreed to transfer all the equity interest in Wison Yangzhou to Wison Energy (HK) in exchange for the issue and allotment of one share of Wison Energy (HK) to Wison Technology on May 14, 2010. Such consideration was based on the paid-up capital of Wison Yangzhou. Upon completion of the said equity interest transfer on December 17, 2008, Wison Yangzhou was wholly owned by Wison Energy (HK). On November 20, 2008, Wison Technology and Wison Energy (HK) further entered into an equity transfer agreement (as supplemented by a supplemental agreement dated May 14, 2010) pursuant to which Wison Technology agreed to transfer its 75% equity interest in Wison Engineering to Wison Energy (HK) in exchange for the issue and allotment of one share of Wison Energy (HK) to Wison Technology on May 14, 2010. Such consideration was based on the paid-up capital of Wison Engineering. Upon completion of the said equity interest transfer on December 29, 2008, Wison Engineering was owned by Wison Energy (HK) and Jiangsu Xinhua as to 75% and 25%, respectively.

As of the Latest Practicable Date, our Group held a 30% equity interest in Henan Chuangsite, a company established in the PRC. A total of 64% is owned by employees of our Group, namely 21% by Yang Zhimin, 15% by Wei Yili, 6% by Wei Gengxuan, 6% by Yao Xiaojun, 4% by Xu Qingsong, 5% by Han Guanghuai, 3% by Zhang Dan, 2% by Liu Yan and 2% by Feng Zhan, all of whom are Independent Third Parties. The remaining 6% is owned by Li Fuda, an Independent Third Party.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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In May 2009, the other equity holders of Henan Chuangsite contributed additional capital of RMB2.0 million to increase Henan Chuangsite's paid-in capital to RMB3.0 million from RMB1.0 million previously. Consequently, our Group's effective equity interest in Henan Chuangsite decreased to 10% from 30%.

In December 2009, our Group acquired a 20% equity interest in Henan Chuangsite from Yang Zhimin (who is a key member of senior management of our Group) for a consideration of RMB0.6 million and thereby increased our Group's equity interest in Henan Chuangsite to 30%. The consideration of RMB0.6 million was based on the paid-up capital of Henan Chuangsite.

The principal activity of Henan Chuangsite is the provision of supervisory services for construction projects. Our Group's shareholding in Henan Chuangsite is held through Wison Engineering.

On July 9, 2009, Wison Singapore was incorporated in Singapore. As part of the corporate reorganization and for the purpose of avoiding competition with other subsidiaries of Wison Holding which are not within our Group for the purpose of the Listing, Wison Holding and Wison Energy (HK) entered into a share purchase agreement dated March 30, 2011, pursuant to which Wison Holding agreed to sell 100,000 ordinary shares of Wison Singapore, being the entire issued share capital of Wison Singapore, to Wison Energy (HK) at the consideration of S\$100,000, which was determined on an arm's length basis with reference to the paid-up capital of Wison Singapore at the relevant time. Upon completion of the said share purchase that took place on March 30, 2011, Wison Singapore was wholly owned by Wison Energy (HK).

On September 24, 2010, Wison Holding and Sun-Rising entered into the Sun-Rising Original Subscription Agreement, whereby Wison Holding issued non-interest bearing exchangeable bonds in the aggregate principal amount of US\$13.0 million to Sun-Rising, which was subsequently terminated by a termination agreement dated July 5, 2011 and replaced by the Subscription Agreement dated July 5, 2011 entered into by, among others, Wison Holding and Sun-Rising.

On May 16, 2011, our Company and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in Wison Technology to our Company in exchange for the issuance of 9,000 new Shares credited as fully paid to Wison Holding. Upon completion of the share swap that took place on May 16, 2011, Wison Technology became wholly owned by our Company.

On May 16, 2011, Wison Investment and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in our Company to Wison Investment in exchange for the issuance of one new Share credited as fully paid to Wison Holding. Upon completion of the share swap that took place on May 16, 2011, our Company became wholly owned by Wison Investment.

Our PRC legal advisers are of the view that our Group has obtained all necessary permits, licenses and approvals as required pursuant to PRC laws and regulations from PRC authorities for each stage of the reorganization.



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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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On July 5, 2011, Wison Holding and the Pre-IPO Investors, namely BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising, Huadian, Huaneng Invesco WLR, Sincere, Hao Peng, Stone Capital and Feixl entered into eight separate Subscription Agreements. Pursuant to the Subscription Agreements, Wison Holding conditionally agreed to issue and the Pre-IPO Investors conditionally agreed to subscribe for the Bonds. The consideration for the Bonds was paid by the Pre-IPO Investors and the Bonds were issued by Wison Holding to the Pre-IPO Investors on July 6, 2011. The gross proceeds of US\$95 million from the investment were intended to fund the discharge or repayment of certain payables and loans owed by Wison Holding group companies (which are not within our Group for the purpose of the Listing) to members of our Group and to fund the payment of fees and expenses due and payable under or in connection with the investment. See “Appendix IV—Summary of Pre-IPO Investment” for further details of the Bonds.

Wison Holding, the issuer of the Bonds, entered into agreements with Huadian on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse and UOB on June 4, 2012 to redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse and UOB. See “Appendix IV—Summary of Pre-IPO Investment—Redemption of the Bonds issued to Huadian, Huaneng Invesco WLR, Credit Suisse and UOB by Wison Holding” for further details.

The Remaining Pre-IPO Investors have undertaken to terminate the Second Put Option in order to comply with the “Interim Guidance on Pre-IPO Investments Pending Consultation on Possible Listing Rule Amendments” issued by the Listing Committee on October 13, 2010 (reproduced as HKEx Guidance Letter HKEx-GL29-12 on January 16, 2012) (the “Interim Guidance”). On June 1, 2012, Wison Holding, our Company, Wison Investment and Mr. Hua reached an agreement with the Pre-IPO Investors (other than those whose Bonds have been redeemed) to terminate the Second Put Option, pursuant to which the Pre-IPO Investors irrevocably (i) agreed that the Second Put Option and any or all of their rights and interests under the Second Put Option be terminated without any consideration and confirmed that there is no other agreement between Wison Holding, our Company, Wison Investment or Mr. Hua or any of their respective affiliates and the Bond holders in respect of such termination and (ii) agreed that Wison Holding, our Company, Wison Investment and Mr. Hua be released and forever discharged from any obligations whatsoever in respect of the Second Put Option under the terms and conditions set out in the Majority Shareholder Undertakings. See “Appendix IV—Summary of Pre-IPO Investment—Termination of the Second Put Option” for further details.

On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders.

### **Business development**

We started our business in November 1997 as a provider of engineering and construction solutions for improving the performance and environmental friendliness of separation systems for chemical engineering processes.



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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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In 1999, we began to undertake the groundwork for the provision of ethylene cracking furnace solutions, including discussions with a third party proprietary technology licensor.

In March 2000, we were awarded our first contract to provide renovation solutions for an ethylene cracking furnace operated by Sinopec Qilu, a subsidiary of Sinopec. We successfully completed the project in May 2001 using a combination of imported modern technology and an efficient project management model. The annual production capacity of the renovated ethylene cracking furnace was increased by approximately 45%, from 45,000 tons to 65,000 tons.

In September 2001, our project quality control was recognized as conforming with international standards when Wison Engineering obtained its ISO 9001-2000 management system certification from Det Norske Veritas for contracting management on EPC services for petrochemicals projects. In the same month, the technology development center of Wison Engineering was recognized by the Science and Technology Bureau of the Shanghai Pudong New Area (上海浦東新區科學技術局) as an “Enterprise Technology Development Organization of the Shanghai Pudong New Area” (上海市浦東新區企業技術開發機構).

In September 2002, Wison Engineering was granted an “Overall Contracting Qualification—Grade II (Temporary) for Petrochemical Project Construction” (化工石油工程施工總承包(暫定)貳級), which allowed Wison Engineering to undertake individual chemical and petrochemical engineering construction projects with a contract amount of not more than RMB200 million and not exceeding five times its registered capital.

In August 2002, we entered into a PC contract with a subsidiary of PetroChina for the first time and completed the building of two ethylene cracking furnaces for PetroChina Daqing in Daqing, China in June 2004. At the time their operation was commissioned, these ethylene cracking furnaces were two of the largest capacity furnaces in China.

In March 2005, Wison Engineering was granted the Grade I Overall Contracting Qualification, which allows it to undertake certain chemical and petrochemical engineering construction projects with individual contract size not exceeding five times its registered capital, (i.e., RMB1,500.0 million). In the same year, we were awarded the position as overall PC contractor for parts of the PetroChina Lanzhou Ethylene Plant Project, with a view to increasing its annual ethylene production capacity by 450kta. The award of this project marked our first step into the provision of EPC solutions for petrochemicals production facilities. As part of the project, we entered into a contract in April 2005 for the design-building of five new cracking furnaces and another contract in August 2005 for the procurement of materials for, and construction of, other non-furnace-related parts of the facilities, including the refrigeration, compressing, separation and feedstock sections.

In September 2006, we entered into a project management contracting (PMC) services agreement with PetroChina Dalian for the expansion of its crude oil refinery. In the same year, we were awarded the position as overall PC contractor for parts of PetroChina Dushanzi’s refinery and ethylene production facilities expansion project, with a view to increasing ethylene production levels to 1,000kta. We provided our PC solutions under three individual contracts, comprising: (a) the design-building of eight cracking furnaces; (b) the construction

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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of SSBR/SBS production facilities; and (c) the construction of FDPE production facilities. The total value of the contracts was approximately RMB2.6 billion and the project was completed in September 2008.

In November 2007, Wison Engineering obtained the Overseas Contracting Qualification, which enables it to undertake international petrochemical engineering projects both within and outside the PRC, export the necessary equipment and materials, as well as dispatch staff abroad for implementation of such projects.

In late November 2007, we successfully acquired the Henan Design Institute by way of merger by absorption, a certified design institute with Class I Design Qualification and nearly 50 years of industry experience. Upon completion of the transfer of Henan Design Institute's qualifications to Wison Engineering, we became a fully integrated engineering solutions provider to the petrochemicals sector. In December 2007, we entered into our second oil refinery engineering solutions contract to provide PC solutions for the construction of naphtha hydrotreating and saturate gas concentration plants in PetroChina Guangxi's refinery project.

In March 2008, Wison Engineering became a member unit of the Industrial Furnace Design Professional Committee of the China Petroleum and Chemical Engineering Survey and Design Association (中國石油和化工勘察設計協會工業爐設計專業委員會).

In August 2008, Wison Engineering obtained the Class I Design Qualification. During the period from October 2007 to February 2010, Wison Yangzhou entered into contracts with SECCO for the manufacturing of 11 sets of furnace pipelines.

In March 2009, we were awarded the 2008 China Construction Steel Structure Quality Project "Steel Structure Gold Medal" (National Quality Project) for our services provided in the PetroChina Dushanzi 1,000kta ethylene unit cracking furnace steel structure project.

In September 2009, we started to provide PC services in the construction of the 600kta paraxylene plant, 60kta sulfur recovery plant, 2,200kta waxoil hydrocracking plant and 2,000kta continuous reforming plant, including a PSA unit for PetroChina Sichuan's 10,000kta oil refinery project, which marked the full commencement of the construction of the main unit of the refinery integration project. Wison Engineering was also granted 12 awards, including the grand prize for the Henan Province Survey and Design Industry Innovation Award (2009 年度河南省勘察設計行業創新獎特等獎) and the first class prize for the Outstanding Consulting Achievement Award (優秀諮詢成果獎一等獎).

In June 2010, Wison Engineering won the bid for the 2,000kta first phase coal-to-olefins unit, 680kta second generation DMT0 (based on Dalian Institute of Chemical Physics design) demonstration unit project and the 300kta polyethylene unit fundamental engineering design project for PuCheng Clean Energy Chemical Co., Ltd.

In July 2010, Wison Engineering was appointed as the standing council unit of the National Survey and Design Committee in the Fifth Congress of the National Survey and Design Committee.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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In December 2010, Wison Engineering completed the building of an EU ethylene cracker furnace for BASF-YPC Co., Ltd., which, at the time commissioned, was the largest liquid feedstock ethylene cracking furnace in the world.

In May 2011, Wison Engineering signed a MDI project contract with BASF Polyurethanes (Chongqing) Co., Ltd. in partnership with Daelim Industrial Co., Ltd. and has successfully convened the project kick-off meeting.

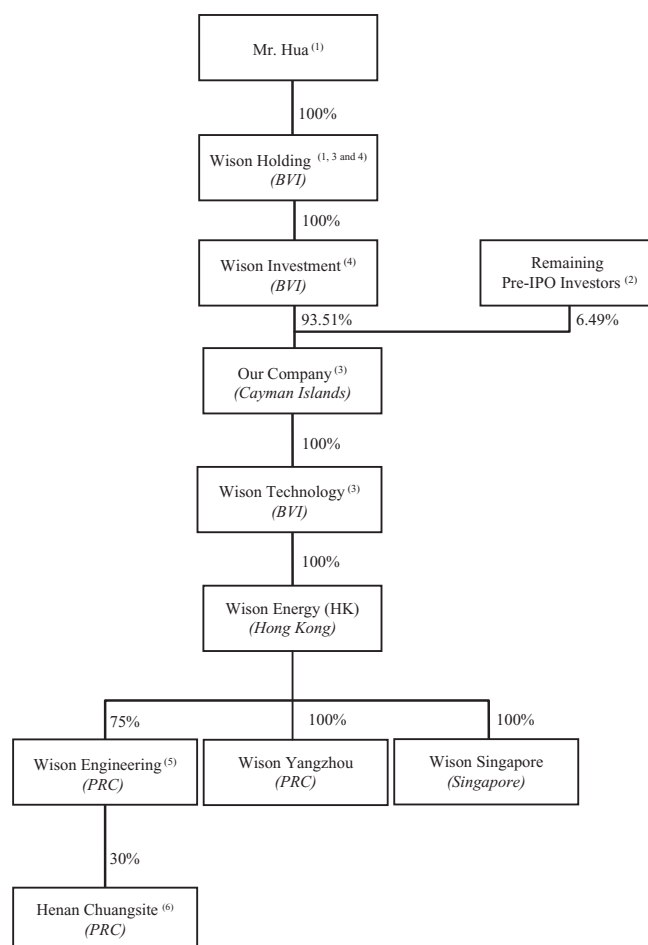
In December 2011, Wison Engineering received the Jin Gang Award for 2011 Excellent Metal Construction Project for the PetroChina Fushun Ethylene 800kta Plant PC Project from the Shanghai Metal Structure Industry Association.

In May 2012, Wison Engineering entered into a cooperation agreement with Shell Global Solutions to jointly research, develop and commercialize certain hybrid gasification technology on an exclusive basis (subject to certain limitations on exclusivity).

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

### GROUP STRUCTURE

The diagram below shows the corporate structure of our Group as of the Latest Practicable Date:

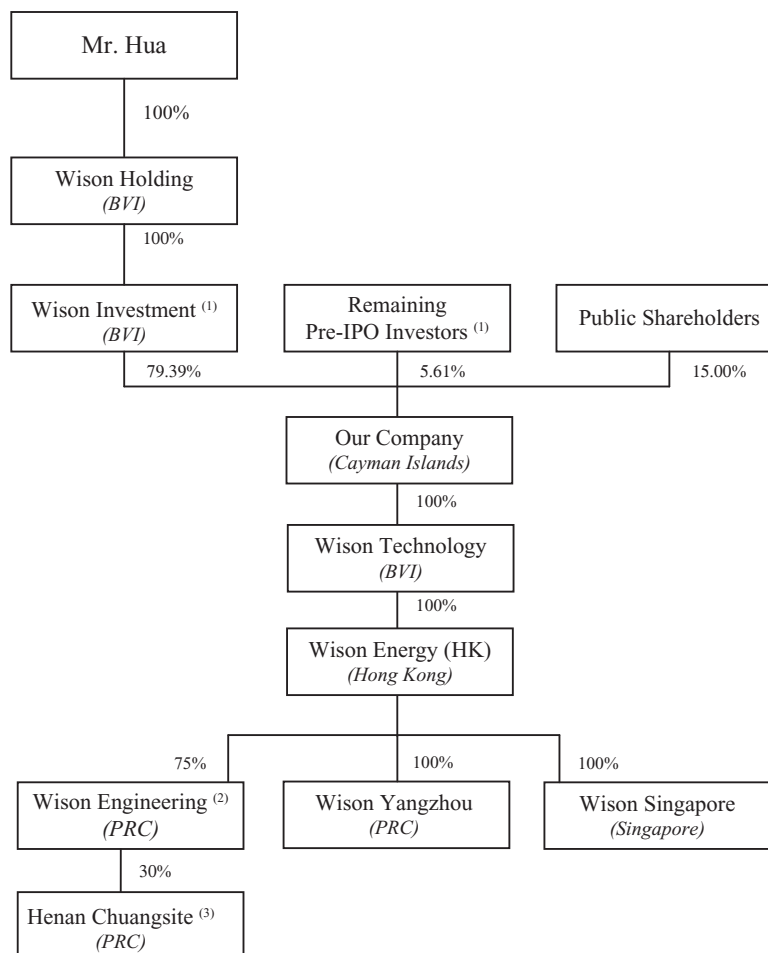


**Notes:**

- (1) Mr. Hua, our Chairman and executive Director, is the registered and beneficial owner of the entire issued share capital of Wison Holding.
- (2) On July 5, 2011, our Company and the Pre-IPO Investors entered into eight separate Subscription Agreements. Pursuant to the Subscription Agreements, Wison Holding agreed to issue the Bonds to each of the Pre-IPO Investors, respectively. Completion of the Subscription Agreements took place on July 6, 2011. See “Appendix IV—Summary of Pre-IPO Investment” for further details of the Bonds. Wison Holding, the issuer of the Bonds, entered into agreements with Huadian on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse and UOB on June 4, 2012 to redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse and UOB. See “Appendix IV—Summary of Pre-IPO Investment—Redemption of the Bonds issued to Huadian, Huaneng Invesco WLR, Credit Suisse and UOB by Wison Holding” for further details. On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders.
- (3) On May 16, 2011, our Company and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in Wison Technology to our Company in exchange for the issue and allotment of 9,000 new Shares credited as fully paid to Wison Holding.
- (4) On May 16, 2011, Wison Investment and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in our Company to Wison Investment in exchange for the issue and allotment of one new Share credited as fully paid to Wison Holding.
- (5) The remaining 25% equity interest in Wison Engineering is held by Jiangsu Xinhua, a limited liability company wholly owned by Mr. Han Jianyu, who is a director of Wison Engineering. Pursuant to the articles of association and the Sino-foreign co-operative joint venture contract of Wison Engineering, the profits of Wison Engineering that are distributable to its shareholders are required to be distributed as to 90% to Wison Energy (HK) and as to 10% to Jiangsu Xinhua.
- (6) Henan Chuangsite is not considered as a part of our Group as it is only an associate company.

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

The diagram below illustrates the corporate structure of our Group immediately following the completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment (assuming none of the Pre-IPO Share Options granted has been exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option):



**Notes:**

- (1) Wison Investment and the Remaining Pre-IPO Investors will hold 85.00% of the enlarged share capital of our Company immediately upon completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment. The number of Shares held by the Remaining Pre-IPO Investors have been calculated in accordance with the terms and conditions of the Bonds (as described in “Appendix IV—Summary of Pre-IPO Investment”). The shareholding of the Remaining Pre-IPO Investors will be counted towards the public float of our Company for purposes of the Listing Rules.
- (2) The remaining 25% equity interest in Wison Engineering is held by Jiangsu Xinhua. Pursuant to the articles of association and the Sino-foreign co-operative joint venture contract of Wison Engineering, the profits of Wison Engineering that are distributable to its shareholders are required to be distributed as to 90% to Wison Energy (HK) and as to 10% to Jiangsu Xinhua.
- (3) Henan Chuangsite is not considered as a part of our Group as it is only an associate company.

## **INTRODUCTION**

### **Business Overview**

We were the largest private sector chemical EPC service provider in China in terms of revenue for 2011, as estimated by CMAI, an independent industry consultant. In addition, based on the industry rankings compiled by the China Exploration & Design Association, we ranked 17th among all PRC EPC service providers, eighth among all PRC chemical EPC service providers and first among all private sector chemical EPC service providers in the PRC, by 2011 contract revenue.<sup>(1)</sup> The term “chemical EPC service provider” includes companies that provide EPC services to, among others, the petrochemicals, oil refining and coal-to-chemicals conversion processing industries, the three industry segments we principally service. We provide a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sale technical support. Our wide range of services is primarily offered to the following industries:

- Petrochemicals: Petrochemical products can broadly be classified into two categories: (i) olefins, including ethylene and propylene; and (ii) aromatics, including benzene, toluene and xylene isomers. These base chemicals can be further processed to manufacture thousands of downstream petrochemical products used in daily life.
- Oil refineries: Oil refining is a process where crude oil is processed and refined into more useful petroleum products, which can be grouped into three categories: (i) light distillates, including liquefied petroleum gas, gasoline and naphtha; (ii) middle distillates, including kerosene and diesel; and (iii) heavy distillates and residuum, including heavy fuel oil, lubricating oils, wax and asphalt.
- Coal-to-chemicals: Coal-to-chemicals refers to the process of producing chemicals from coal. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. Recently, the focus in China has been shifted to coal-to-methanol, MTO and MTP processes that produce the same chemical products, such as ethylene and propylene, as the petrochemical facilities, due to better cost efficiencies and greater demand for these chemicals.

We also provide EPC and PC services, on an ad hoc basis, to other industries, such as steel and marine engineering projects. Our subsidiary, Wison Yangzhou, manufactures heat-resistant alloy tubes and fittings for the projects we undertake, in addition to supplying to third party purchasers, primarily in the petrochemicals industry.

In the provision of our wide range of services described above, our role on a project is typically to act as a “general contractor”. We do not consider ourselves to be a construction firm and we typically sub-contract construction work to specialized construction sub-contractors. Our employees are principally involved in engineering, design implementation,

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*Note:*

(1) We are not aware of any more recent ranking provided by China Exploration & Design Association and we have no reason to believe that the latest ranking is no longer accurate.



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procurement of raw materials and equipment, and supervision of construction. We can provide complete solutions based on the EPC service model or a part of it, such as engineering and procurement (EP) or procurement and construction management (PC), corresponding to specific client needs. We can also provide PMC services, where we charge a fee for our project management services while our clients assume the cost of procurement and construction.

### **Petrochemicals**

Ethylene is an olefin that is principally derived by heat-cracking naphtha and light diesel at petrochemicals facilities or oil refineries. We have proprietary ethylene cracking furnace technologies that focus on improving energy efficiency, reducing emissions and increasing reliability. See “—Research and Development” below. Designing and engineering steam cracking furnaces requires extensive technical experience and know-how, and, according to CMAI, we are one of six companies in the world that has developed proprietary commercial ethylene cracking furnace technology. While intellectual property is of such a nature that we cannot warrant that these are the only parties that have intellectual property in this area, no other companies or individuals to our knowledge have used other proprietary technology in wide commercial application in relation to ethylene cracking furnaces. Such engineering capability enables us to provide a one-stop service using either our proprietary ethylene cracking furnace technologies or partnering with other ethylene cracker technology licensors in delivering our EPC services.

We have a leading position as an ethylene EPC service provider in China in terms of number of furnaces installed, based on EPC contracts between January 1, 2000 and June 30, 2012, according to CMAI. Ethylene is one of the key building blocks in the petrochemicals industry. Further, our strong base in ethylene EPC services also helps us in retaining an EPC leadership position in China’s petrochemicals industry. Benefiting from our strong track record in the ethylene furnace EPC arena, we have expanded our EPC services into the broader PRC petrochemicals industry. Our major projects have included:

- PetroChina Daqing Project: We completed the building of two ethylene cracking furnaces for PetroChina Daqing in Daqing, Heilongjiang Province, China, in June 2004 under a PC contract. These ethylene cracking furnaces were two of the largest capacity furnaces in China at the time their operation was commissioned;
- PetroChina Lanzhou Ethylene Plant Project: We completed the expansion of an ethylene plant in Gansu Province, China, for PetroChina Lanzhou in October 2006 under a PC contract. The construction period for this plant, which started in April 2005 and continued until its commissioning in November 2006, was the shortest for a similar scale of construction in China at the time;
- PetroChina Dushanzi Integrated Refinery and Petrochemical Complex: We completed the building of the PetroChina Dushanzi Integrated Refinery and Petrochemical Complex in Dushanzi, Xinjiang, China, in June 2009 under several PC contracts. At the time this complex was commissioned in 2008, it was the largest plant of its kind in China;

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- Nanjing BASF-YPC Ethylene Cracking Furnace Project: In December 2010, we completed the building of an EU ethylene cracking furnace for BASF-YPC Co., Ltd., a joint venture between BASF and Sinopec Yangzi, in Nanjing, Jiangsu Province, China, under an EPC contract. This EU ethylene cracking furnace, at the time commissioned, was the largest liquid feedstock ethylene cracking furnace in the world; and
- Chongqing BASF MDI Complex Project: In June 2011, under an E+PsCM contract, we and Daelim Industrial Co., Ltd. commenced work on the building of the BASF MDI Complex in Chongqing, China, for BASF, which is expected to be completed in May 2014 and consists of: (i) a MNB plant, (ii) an aniline plant, (iii) a CMDI plant, (iv) a MMDI plant, (v) tank farm/logistics and (vi) certain utility systems.

As of June 30, 2012, our unaudited backlog in the petrochemicals business segment was approximately RMB5,630.2 million. Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT.

### Oil refineries

For oil refineries, during the period between January 1, 2006 and June 30, 2012, we provided EPC or PMC services, including design, procurement and construction, to the following two major projects:

- PetroChina Dalian Refinery Project: We completed the building of an oil refinery for PetroChina Dalian in Dalian, Liaoning Province, China, in September 2008 under a PMC contract. At the time commissioned, it was the largest production facility of its kind in China; and
- PetroChina Sichuan Integrated Refinery and Petrochemical Complex: We are currently building the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in Sichuan Province, China, which is expected to be fully completed by December 2012, under several PC contracts. This is our largest project to date in terms of project revenue recognized, with multiple contracts from one project owner, and marks our first project to build the main unit of a refinery integration project.

As of June 30, 2012, our unaudited backlog in the oil refineries business segment was approximately RMB5,964.4 million.

### Coal-to-chemicals

We own a significant number of proprietary technologies in the areas of coal-to-olefins, energy saving coal-to-methanol and coal-to-dimethyl ether and can provide one-stop services encompassing transfer of proprietary technologies, design and construction of coal-to-chemicals plants. During the period between January 1, 2007 and June 30, 2012, we provided EPC services to the following coal-to-chemicals projects:

- Wison (Nanjing) Synthesis Gas Project: From March 2007 to November 2009, we built a coal-to-synthesis gas production plant for Wison (Nanjing) Chemical Co.,

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Ltd. in Nanjing, Jiangsu Province, China, under an E+PM+C contract. This coal-to-synthesis gas production plant, at the time commissioned, had the production capacities of 300kta of carbon monoxide, 100kta of methanol, 9,000Nm<sup>3</sup>/h hydrogen, 11,000Nm<sup>3</sup>/h synthesis gas and 16,000Nm<sup>3</sup>/h hydrogen-rich gas and is representative of our sophisticated EPC capability in the coal-to-chemicals segment;

- Erdos Jinchengtai Methanol Project: Since April 2009, we have been building a coal-to-methanol production plant for Erdos Jinchengtai Chemical Co., Ltd in Erdos, Inner Mongolia, China, under an E+PM+C contract, which is expected to be completed in December 2012. The estimated production capacity of the plant will be approximately 600kta of methanol. This is our first EPC project provided to an independent third party in the coal-to-chemicals segment; and
- Pucheng Polyethylene Plant Project: We entered into an EPC contract with PuCheng Clean Energy Chemical Co., Ltd. to build a 700kta polyethylene production plant in Shaanxi Province, China. This project commenced in March 2012 and is expected to be completed around December 2013. Its separation unit will utilize, and be licensed with, our proprietary methanol-to-olefins separation technology.
- Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I): We entered into a contract with Jiangsu Sailboat Petrochemical Co., Ltd. in May 2012 to provide EPC service to its 600kta MTO plant and relevant public utilities and ancillary facilities for its alcohol based cogeneration project (phase I) and EM+PC service to its 350kta EVA plant, 260kta acrylonitrile plant and 80kta MMA plant in Jiangsu Province, China. This project commenced in September 2012 and is expected to be completed around in March 2015. This is our largest project by contract value as of the Latest Practicable Date.

As of June 30, 2012, our unaudited backlog in the coal-to-chemicals business segment was approximately RMB16,566.5 million.

### **Other products and services**

For other industries, during the period between January 1, 2005 and June 30, 2012, we provided EPC and PC services to steel and marine engineering projects. Our subsidiary, Wison Yangzhou, manufactures heat-resistant alloy tubes and fittings for the projects we undertake, in addition to supplying third party purchasers, primarily in the petrochemicals industry.

We believe we have maintained a high level of client satisfaction, completing almost all of our major construction projects during the three years ended December 31, 2011 and the six months ended June 30, 2012 on or ahead of clients' expectations, with a high safety record, while meeting the technical specifications required by our clients. We have also actively sought the development of long-term relationships with our key clients, who have principally been affiliates of industry leaders in the PRC petrochemicals market. By working as a partner with our key clients on many of their production facilities, we have increased our understanding of their overall business needs, as well as the unique technical requirements of their projects. This relationship approach also helps us understand the risks and specific

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requirements inherent in their projects, which in turn allows us to better satisfy their specific requirements and manage the risks specific to each project.

Our business has grown together with the development and expansion of the petrochemicals, oil refining and coal-to-chemicals industries in the PRC. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue was RMB1,884.4 million, RMB4,976.2 million, RMB5,036.6 million and RMB861.7 million, respectively. The following table illustrates the percentage breakdown of our revenue by business segments during each of the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>(unaudited)</i>										
<i>(RMB in millions, except percentages)</i>										
<b>Business Segments:</b>										
Petrochemicals <sup>(1)(2)</sup> . . . .	1,386.3	73.6%	2,860.5	57.5%	1,624.2	32.2%	610.9	36.9%	130.1	15.1%
Oil refineries <sup>(3)</sup> . . . . .	207.3	11.0%	2,050.0	41.2%	2,447.0	48.6%	895.4	54.1%	125.2	14.5%
Coal-to-chemicals <sup>(4)(5)</sup> . .	210.9	11.2%	28.4	0.6%	949.7	18.9%	139.2	8.4%	520.8	60.5%
Other products and services <sup>(6)(7)</sup> . . . . .	79.9	4.2%	37.3	0.7%	15.7	0.3%	9.7	0.6%	85.6	9.9%
<b>Total</b> . . . . .	<b>1,884.4</b>	<b>100.0%</b>	<b>4,976.2</b>	<b>100.0%</b>	<b>5,036.6</b>	<b>100.0%</b>	<b>1,655.2</b>	<b>100.0%</b>	<b>861.7</b>	<b>100.0%</b>

**Notes:**

- (1) Principally comprising EPC solutions for the design-building and renovation of ethylene cracking furnaces and production facilities for downstream petrochemicals.
- (2) Revenue generated in this segment is net of inter-segment sales of RMB32.1 million in the year ended December 31, 2011 and RMB32.9 million for the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.
- (3) Principally comprising PC solutions for the construction of petroleum refineries.
- (4) Principally comprising EPC solutions for the construction of coal-to-chemicals production facilities.
- (5) Revenue generated in this segment is net of inter-segment sales of RMB0.5 million in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.
- (6) Principally comprising integrated piping systems manufactured by Wison Yangzhou and EPC services to other industries.
- (7) Revenue generated in this segment is net of inter-segment sales, which have been substantial for this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Revenue in this segment inclusive of such inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB138.8 million, RMB129.3 million and RMB18.0 million, respectively, and RMB10.2 million in the six months ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

### OUR KEY STRENGTHS

We believe that our success and future prospects are built upon and reinforced by the following key strengths:

#### Largest private sector chemical EPC service provider in China

We were the largest private sector chemical EPC service provider in China, servicing the petrochemicals, oil refining and coal-to-chemicals segments, in terms of revenue for 2011, as estimated by CMAI. Our clients include major market players such as PetroChina, Sinopec, CNOOC, Shell and BASF.

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Some of our key milestone petrochemicals projects include:

- PetroChina Daqing Project;
- PetroChina Lanzhou Ethylene Plant Project;
- PetroChina Dushanzi Integrated Refinery and Petrochemical Complex;
- Nanjing BASF-YPC Ethylene Cracking Furnace Project; and
- Chongqing BASF MDI Complex Project.

In addition, we have provided EPC or PMC services, including design, procurement and construction, to several major refinery projects, namely Project 35 (PetroChina Dalian Refinery Project) and PetroChina Sichuan Integrated Refinery and Petrochemical Complex. Leveraging on our proprietary technologies in the areas of coal-to-olefins, energy saving coal-to-methanol and coal-to-dimethyl ether, we can provide one-stop services encompassing licensing of proprietary technologies, and design and construction of coal-to-chemicals plants. During the period between January 1, 2007 and June 30, 2012, we provided EPC services to several coal-to-chemicals projects.

We believe that, as a private sector EPC service provider in China, we are distinguished from state-owned enterprise competitors due to our stronger focus on client satisfaction and our market-driven business model that aims to satisfy the requirements of different clients and to expand our client base. Our track record shows a history of providing timely and tailor-made solutions to our clients, which has led to awards of additional projects from our existing clients, including subsidiaries of PetroChina and Sinopec, two of the industry leaders in the PRC petrochemicals market, and has been helpful in our winning of new clients.

Further, as China continues to industrialize, we believe that the PRC government will continue to support the development of the domestic petrochemicals, oil refining and coal-to-chemicals industries, due to its importance to the growth of the overall PRC economy. We believe that our position as the largest private sector chemical EPC service provider, together with the client relationships and market reputation we have already established, puts us in a strong position to capture a significant portion of the anticipated growth in these industries.

### **Well-recognized and acknowledged project execution capability**

We have, during our years of operation, developed significant experience and execution capability in the provision of EPC services in China. We have a track record of achieving the following in the oil refineries and petrochemicals and coal-to-chemicals production facilities we have designed, built or renovated:

- High Quality: Successful production in all the oil refineries and petrochemicals and coal-to-chemicals production facilities we have built or renovated between January 1, 2000 and the Latest Practicable Date at initial start-up. This success rate is a culmination of successes in project planning and execution that, together, avoided any delay to our clients' commencement of production.

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- Timely Completion: We have completed almost all of our major construction projects on or ahead of clients' expectations during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, allowing our clients to start their production sooner, which, in turn, leads to shorter lead time in approaching or reaching full production capacity.
- High Safety Record: We have a health, safety and environment (HSE) division that monitors our worksites carefully. Our high safety record has been achieved through prevention-based programs, risk evaluation, job-specific safety training, incident investigation and on-site safety supervision.
- Long Track Record: We have a well-established business operation platform and a proven execution track record.

Within China's petrochemicals industry, we have a track record in design-building and renovating technologically complex ethylene cracking furnaces. Further, ethylene cracking furnaces are generally renovated or replaced every four to six years. The ethylene cracking furnaces we have renovated have a track record of achieving the following: (i) increased production capacity, (ii) higher yield and (iii) increased energy savings. As a result of our ability to upgrade furnaces during their renovation, we have been able to capture an ongoing revenue stream from renovation projects. For example, from December 2007 to December 2009, we renovated eight ethylene cracking furnaces for SECCO in Shanghai, China. After our renovation, each ethylene cracking furnace extended its operating cycle from 15 to 20 days between breaks to over 50 days, thereby resulting in an estimated increase in its annual operating hours of up to 216 hours and in its production yield of up to 2,700 tons per year. The modified piping system we designed, built and installed also conducts heat more efficiently and is estimated to save approximately 1,600 tons of fuel gas per furnace per year.

### **Strong technology innovation capability**

We have a tradition of emphasizing technology development. As a result of our research and development in designing, building and renovating petrochemicals and coal-to-chemicals production facilities, we have been awarded 31 patents in China and also have 26 pending patent applications in China as of the Latest Practicable Date. Further, our research and development efforts have resulted in specific innovation in the areas of ethylene process integration technologies, coal-to-chemicals technologies, clean coal utilization technologies and energy saving technologies.

In the area of ethylene process integration technologies, as estimated by CMAI, we are one of the six companies in the world that has developed proprietary commercial ethylene cracking furnace technologies. Since our entry into the ethylene cracking furnace business in 2000, we have undertaken the design, renovation and construction of 115 ethylene cracking furnaces (including 29 new or renovated furnaces under construction), and have developed a leading position in the domestic market of renovation and construction of ethylene cracking furnaces since our entering this business segment. We have experience in developing, designing and operating ethylene cracking furnaces. Our proprietary HS-I, HS-II and HS-III cracking furnace technologies produce pipes that have shorter passage times and longer operating cycles due to the larger heat-absorbing surface area resulting in higher ethylene



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yield. Our HS-I technology is designed for cracking gas feedstock, such as ethane and propane, and has been applied in the renovation of the cracking furnaces for PetroChina Daqing and PetroChina Liaoyang. Our HS-II cracking furnace technology is designed for cracking liquid feedstock and has been applied in several cracking furnaces currently in service, including ones for Sinopec Guangzhou, PetroChina Lanzhou and PetroChina Jilin. Our HS-III technology is developed from our HS-II technology. Utilizing a symmetrical U-shaped furnace tube with double arrangement, our HS-III technology can be implemented in a limited space while increasing the capability and operational cycle of a cracking furnace. Our HS-III technology can be applied in naphtha, hydrogenation tail oil and other liquid feedstock cracking. Our HS-III technology has been principally used in the expansion and renovation of existing cracking furnaces, as well as in the building of new large-scale cracking furnaces. Our HS-III technology has already been successfully applied in the renovation of liquid feedstock cracking furnaces for SECCO. Our proprietary HS-I, HS-II and HS-III cracking furnace technologies are designed to reduce costs for ethylene production while meeting environmental standards, achieving greater efficiency and increasing production for the plant. Compared to the USC cracking furnace created by Stone & Webster, according to CMAI our HS-II cracking furnace has a higher average integrated heat efficiency (94.9%, as opposed to 92.5%) and a lower smoke discharge temperature (41°C lower), resulting in significant energy savings. Our technology is used in a number of ethylene cracking furnace projects in China. In addition, we have developed a quench oil viscosity reducing technology, which uses ethane and propane gas obtained from cracking furnaces to reduce liquid viscosity, and we applied this technology on the 600kta ethylene units in PetroChina Daqing. On September 28, 2010, we received the award for outstanding energy saving contribution from China Chemical Energy Conservation Technology Association (CCECTA) for our renovation work on the ethylene units of PetroChina Daqing.

In the area of coal-to-chemicals technologies and clean coal utilization technologies, we have developed certain MTO light olefins separation technologies and WMTO process technologies, which help coal-to-chemicals production facilities to achieve more stable production, lower energy consumption and longer operating cycles with lower capital requirements. In particular, we have developed “pre-cutting plus oil absorption” olefins separation technology that simplifies the chemical separation processes and lowers the investment cost requirements for equipment, while reducing energy consumption and improving ethylene recovery rate. In July 2010, we successfully implemented our MTO light olefins separation technologies for PuCheng Clean Energy Chemical Co., Ltd. in constructing a 680kta second generation DMT0 demonstration unit (based on Dalian Institute of Chemical Physics design) for its 2,000kta coal-to-olefins plant project. In September 2011, we successfully implemented our MTO light olefins separation technologies for Wison Nanjing in connection with its butanol and octanol project. See “Connected Transactions—One-off transactions—Butanol and Octanol Project” for more details. In August 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on both basic design and detailed design with Shandong Yang Coal Hengtong Chemical Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for its 300kta methanol to olefins plant. In September 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on overall design and basic design with the Xinjiang and Beijing branches of China Shenhua Coal to Liquid and Chemical

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Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for their 680kta new coal-based materials project.

In the area of energy saving technologies, we have developed integrated energy saving technology for the coal-to-methanol process that is applicable to large-scale methanol distillation units. A certain portion of our energy saving methanol technology has been implemented in Project 43 (Erdos Guotai Methanol Project).

We believe our strong engineering background distinguishes us from other private sector EPC service providers in China that have focused principally on construction instead of engineering services and sets up a high entry barrier for potential competitors. Our entry into the EPC service business began in March 2000, when we began the reconstruction of the ethylene plant cracking furnace for Sinopec Qilu, with our involvement in the design-building and renovating of ethylene cracking furnaces, which are among the most technologically complex components of petrochemicals production facilities, demonstrating our technological capability. By tackling the most technologically sophisticated part of the EPC service business first, the engineering know-how and design experience we have gained should enhance our procurement and construction management businesses and help us grow our business in the provision of EPC services to other less technologically challenging components of petrochemicals and coal-to-chemicals production facilities.

### **Established network and close relationships with raw materials and equipment suppliers and construction sub-contractors**

We believe that our relationships with raw materials and equipment suppliers and construction sub-contractors are important in obtaining contracts from our clients as they serve to ensure the best mix of resources for our EPC services and enable us to offer competitive prices for our services. Through our active participation in the construction of many key petrochemicals production facilities in China since 2001, we have developed a strong understanding of the products and services of many raw materials and equipment suppliers and construction sub-contractors, as well as a range of design solutions and construction processes, and have further developed our project management expertise. We have developed a database of 1,292 qualified domestic and 85 qualified overseas suppliers, as well as another 608 potential overseas suppliers as of June 30, 2012. As of June 30, 2012, there were 148 qualified sub-contractors on our list of construction sub-contractors, eight of whom we have maintained business relationships with for over six years. We have also helped to develop their sourcing channels and established long-term relationships with some of these suppliers. We believe our familiarity with each of our suppliers' ability to meet various technical standards for the projects we undertake, as well as our experience in successfully managing a number of sub-contractors, hiring and training local workforces and sourcing construction tools and equipment, are key strengths that differentiate us from our competitors. Further, because we have previously cooperated with these raw materials and equipment suppliers and sub-contractors, we have detailed knowledge of the quality and reliability of their respective products and services and their ability to meet our clients' quality and scheduling expectations. This extensive network of relationships, together with our project management expertise and familiarity with the procurement process, also helps us serve the new markets we are developing, such as the PRC coal-to-chemicals market and overseas markets. We aim to continue to work collaboratively with all of our raw materials and

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equipment suppliers and sub-contractors to ensure the quality of our services and promote overall cost savings for our clients.

### **An experienced and established management team and dedicated industry experts with proven track record**

We have a management team with extensive experience in our industries. Our senior industry experts keep abreast of the developments in the petrochemicals, oil refining and coal-to-chemicals industries. Our team strives for effective cost management, which has been demonstrated by decreases in operating expenses as a percentage of revenue from December 31, 2009 to December 31, 2011. Our team is also committed to conducting research and development and producing technological innovation. A number of our employees hold postgraduate qualifications and relevant technical degrees. In addition, as of June 30, 2012, we had 1,430 employees of which over 719 employees, or approximately 50% of our total employees, have over ten years of experience in research and development, design and management, project management and facility commissioning in the petrochemicals and coal-to-chemicals industries. A number of our employees have also received awards on the national level for their outstanding achievement, such as “Excellent Scientific and Technological Staff in China Petroleum and Chemical Industry” and “Excellent Scientific and Technological Staff in China Chemical Industry”.

The broad industry background and technical knowledge of our technical team allow us to understand and analyze our clients’ requirements, enabling us to tailor our solutions to suit their production facilities in an efficient manner. We believe that our knowledge of, and experience with, the technology and management processes used in design-building petrochemicals and coal-to-chemicals production facilities are of particular importance to our clients, as we are able to apply them to our clients’ individual projects. As a result, our understanding of China’s domestic market and the dedication and experience of our management and technical team should enable us to continue to meet our clients’ needs, uphold our reputation with our clients and business partners alike and provide a strong foundation from which to pursue our strategies.

### **OUR BUSINESS STRATEGIES**

Our primary focus is to selectively diversify our geographic focus and client base, while at the same time continue to strengthen our position in the PRC as a leading private sector EPC service provider to the petrochemicals industry and to expand our oil refineries and coal-to-chemicals EPC business. To achieve our goals, we intend to continue to improve our products, expand our business segments and services and pursue the following strategies:

#### **Continue to focus on research and development activities to strengthen our design and engineering capability**

We believe our dedication to learning and developing technological skills will enable us to foster long-term and close relationships with our clients. As the technology in the petrochemicals and coal-to-chemicals industries continues to develop, we are committed to keeping ourselves abreast of the latest design and technology development, technology and experience we gained from implementing different projects and improving our overall design capability. We currently focus our research and development efforts in the areas of core

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technology in the coal-to-chemicals process, efficient clean coal utilization technology, ethylene process integration technology and energy saving technology. For example, we are jointly developing a new hybrid gasification technology to convert coal to natural gas, with Shell Global Solutions, that has the potential of offering an environmentally sound solution for project owners to efficiently upgrade low-cost feedstock, such as coal, to a more valuable product. We believe this technology will be more suitable for new coal-to-chemicals processing plants, such as the plants for coal-to-gas, coal-to-methanol, coal-to-ethylene glycol and coal liquefaction processes. We have also entered into cooperative arrangements with Tianjin University to jointly develop and commercialize certain coal-to-ethylene glycol technologies, leveraging on the fact that Tianjin University has extensive research experience on developing coal-to-ethylene glycol technologies and that the products of such experience have not been widely commercialized. Under both of these arrangements, we may share the rights to use and license the new technologies developed. We believe these cooperative arrangements should enhance our business opportunities in the coal-to-chemicals sector. We also plan to further enhance our profile by establishing a national research and development center in Shanghai, China, that focuses on coal-to-chemicals processes, newly developed construction materials and the design and construction of alternative energy plants and processes.

Certain of our clients recognize our engineering and design capability, technological support and provision of maintenance services to be among the most highly regarded features we provide in our services. We intend to continue to provide and develop these services.

### **Consolidate and further strengthen our EPC leadership position in China's petrochemicals industry**

Ethylene is one of the key building blocks in the petrochemicals industry and we have a leading position as an ethylene EPC service provider in China, in terms of number of furnaces installed, based on EPC contracts between January 1, 2000 and June 30, 2012, according to CMAI. Further, our strong base in ethylene EPC services also helps us in retaining an EPC leadership position in China's petrochemicals industry. The experience we have gained and the know-how we have acquired have allowed us to develop our project management abilities based on the materials, equipment and construction requirements of each specific project and to ensure the timely delivery of our products and services. Utilizing our technology skills and expertise in design-building and renovating ethylene cracking furnaces, we intend to consolidate and further strengthen our position as a petrochemicals EPC service provider. We intend to maintain and continue to expand our knowledge base of design and engineering solutions, material and equipment specifications and the execution skills of potential raw materials and equipment suppliers and sub-contractors to ensure the quality of products and services we deliver. Our technology skills and expertise have been helpful in strengthening our relationships with our key clients and should assist us in winning more projects from them.

Within the petrochemicals industry in China, we believe strong growth potential still exists for other mid- to large-size producers that are not part of the PetroChina or Sinopec groups. These mid- to large-size producers often need one-stop solution providers like us who can provide turnkey services that allow them to focus on operations rather than engineering and construction. To continue to win additional projects from our key clients and

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other producers, we intend to keep focusing on improving quality, shortening construction schedules, and maintaining the cost competitiveness of our products and services.

We believe that the breadth of EPC services we provide to China's petrochemicals industry and our continuous focus on enhancing our experience and know-how will continue to help us deliver high-quality services on a timely basis, as well as provide potential cost savings for our clients.

### **Enhance our presence in the oil refining and coal-to-chemicals industries**

Relying on our experience in China's petrochemicals EPC service business, we aim to capture a significant share of China's oil refineries and coal-to-chemicals EPC service businesses as they develop. CMAI estimates China's annual oil refining capacity will grow from 542.0 million tons in 2011 to 760.0 million tons in 2016, 940.0 million tons in 2021 and further to 990.0 million tons in 2026. CMAI estimates the total investment costs for the expansion from 2012 to 2016 will be in the range of US\$65.0 billion to US\$80.0 billion and an additional US\$75.0 billion to US\$85.0 billion investment is expected from 2016 to 2021. In the coal-to-chemicals sector, given the abundance of coal resources in China, the evolution of, and improvement in, coal-to-chemicals technology, and the economics to convert coal to chemicals, plus the continued price escalation of crude oil and liquid natural gas, CMAI expects the PRC government to rely on China's significant coal resources to generate chemicals to allow the country to be less dependent on petroleum-based feedstock. Among the recently announced coal-to-olefins projects, CMAI estimates that up to ten of such announced projects are potentially viable to progress between 2012 and 2016, with total investment costs estimated to be between US\$30.0 billion and US\$35.0 billion.

There are substantial process similarities between the EPC service requirements for the design-building of petrochemicals production facilities and those for oil refineries and coal-to-chemicals production facilities. Further, the majority of the parts and equipment of oil refineries and petrochemicals and coal-to-chemicals facilities are also supplied by the same manufacturers. As a result, much of the knowledge and experience we have gained through providing EPC services to the petrochemicals industry can be applied in the provision of EPC services to the oil refining and coal-to-chemicals industries. In addition, we gained an early mover advantage compared to other private sector coal-to-chemicals EPC service providers when we design-built Project 42 (Wison (Nanjing) Synthesis Gas Project) in March 2007, which marked our first venture into the provision of engineering solutions to coal-to-chemicals producers and has been a representative project that demonstrates our coal-to-chemicals EPC capability.

Unlike China's petrochemicals and oil refining industries, which are dominated by a small number of state-owned enterprises, China's coal-to-chemicals industry is more fragmented than the other industries in which we operate and comprises several privately-owned businesses, which we believe to have more limited project experience and resources, as well as several state-owned enterprises. As such, we expect China's coal-to-chemicals producers will continue to need EPC service providers with a broad range of service capabilities across the engineering, procurement and construction management spectrum. As a result, we believe our ability to provide turnkey services from market research, feasibility studies, project development, staff training, design, engineering, procurement, construction



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management, maintenance and after-sale technical support will help us generate greater client interest that could lead to further work in the coal-to-chemicals industry and diversify our sources of revenue.

### **Actively develop our presence in the international markets**

We believe our extensive project management experience accumulated in successfully completing several large projects, our proprietary technologies, established network and close relationship with raw materials and equipment suppliers and sub-contractors, combined with our experience and EPC service capability achieved by working on projects in China managed by international operators, such as BASF and Shell, can be extended to international projects outside of China. We aim to promote our extensive experience and know-how in designing, engineering, construction management and use of proprietary technology to reduce capital expenditures incurred by ethylene producers and be attractive to other engineering firms abroad. We plan to partner with other international engineering companies with complementing technologies to jointly tender bids for projects abroad whenever opportunities arise.

Internationally, we are exploring the possibility of expanding our business in Southeast Asia and the Middle East and have engaged in marketing efforts and conducted a number of feasibility studies to attract potential clients in these areas since 2008. We believe our Singapore subsidiary will play an important role in our exploration into Southeast Asia, as we expect countries in Southeast Asia to provide significant opportunities for the products and services we offer, due to our proximity to these locations and the familiarity of businesses in these places with the technology and services provided by China's EPC service providers. We have also established a branch office in Saudi Arabia in August 2008 to provide us with local market intelligence in the Middle East and a branch office in Jakarta in August 2011 to provide us with local market intelligence in Indonesia. Currently, we are also planning to look for opportunities in West Africa and Latin America. For example, we established a branch office in Venezuela in April 2012 to provide us with local market intelligence in Latin America. In addition to expanding our focus to PRC mid- and small-size petrochemicals facilities and oil refineries and large coal-to-chemicals producers, our planned expansion to overseas petrochemicals and coal-to-chemicals markets would further diversify our revenue stream and reduce our reliance on PRC state-owned petrochemicals producers.

### **Continue to attract and retain top talent in the industry**

The availability of engineering talent is key to success in our industry. To that end, we continuously seek to attract and recruit employees, engineering teams and design houses from within China and abroad who possess the necessary knowledge and experience in EPC services in the petrochemicals and coal-to-chemicals industries. Our design and engineering staff has increased from approximately 50 people as of December 31, 2006 to 615 people as of June 30, 2012 and our total number of employees has reached 1,430 as of June 30, 2012. We also motivate and nurture our existing employees, and seek to attract highly qualified candidates, by offering competitive remuneration packages and by providing a safe and comfortable working environment. We offer our employees opportunities and career development through our training programs designed to continuously enhance their technical skills, as well as their knowledge of industry quality standards. Through our interactive and dynamic working environment, our employees are encouraged to develop their individual potential, enhancing our overall team capability and client services.



**BUSINESS SEGMENTS**

Our wide range of services are primarily categorized by reference to the industry they serve: petrochemicals, oil refineries, coal-to-chemicals and other products and services comprising a range of small projects over a broad range of industries and fabrication of heat-resistant alloy tubes and fittings.

In the provision of services, our role on a project is typically to act as a “general contractor”. We provide, as requested by our clients, a combination of technology consultancy, engineering, design, raw materials and equipment procurement, and construction management services. We do not consider ourselves to be a construction firm and we typically sub-contract construction work to specialized construction sub-contractors. Our employees are principally involved in engineering, design implementation, procurement of raw materials and equipment, and supervision of construction. We can provide complete solutions based on the EPC service model or a part of it, such as engineering and procurement (EP) or procurement and construction management (PC), corresponding to specific client needs. We can also provide project management contracting (PMC) services, where we charge a fee for our project management services while our clients assume the cost of procurement and construction. In addition, our wholly owned subsidiary, Wison Yangzhou, may act as a pipe supplier to the general contractors, which could be Wison Engineering for projects we have undertaken, or to independent third parties with whom we enter into supply agreements.

**Petrochemicals**

We provide EPC services to PRC petrochemicals producers in relation to the design-building or renovation of their production facilities. Projects involving the building of new production facilities for ethylene and its downstream products and other petrochemicals can involve several EPC providers in charge of different sections of the facilities. These projects can take from 12 to 36 months to complete and the contract value typically ranges from several million to several hundred million Renminbi, depending on the scale of the project.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our total revenue derived from the provision of petrochemicals EPC services amounted to approximately RMB1,386.3 million, RMB2,860.5 million, RMB1,624.2 million and RMB130.1 million, respectively, representing approximately 73.6%, 57.5%, 32.2% and 15.1%, respectively, of our total revenue for those years. During the same period, we took part in nine major ethylene production facility construction projects for petrochemicals producers in the PRC, providing EPC services to PetroChina, Sinopec, and CSPC.

Ethylene cracking furnaces are the core components of ethylene production facilities and typically account for approximately 30% of the total capital investment and approximately 70% of the total energy consumption of ethylene production facilities. Through our ethylene production EPC services, we assist ethylene producers to modernize their existing ethylene cracking furnaces and to design-build, renovate, upgrade or expand their furnaces through a combination of efficient project management and certain proprietary technologies. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we completed the building or renovation of 15, 14, 11 and seven furnaces, respectively. We expect that this business segment will continue to constitute a substantial portion of our revenue in the foreseeable future.

Besides ethylene cracking furnaces, other technologies used in the production of ethylene are also constantly evolving. In order to maintain efficient energy consumption and product yield, which directly affects the competitiveness of ethylene producers, new technologies have to be routinely introduced to existing ethylene production facilities. Following the PRC's accession to the WTO on December 11, 2001, PRC ethylene producers are facing competition from PRC entities or joint ventures that are funded by foreign producers, as well as from purely PRC-funded producers. Coupled with the rapidly growing demand for ethylene production in the PRC in recent years and concerns over the environmental problems contributed by outdated production plants, some ethylene producers in the PRC will need to continue to improve the production efficiency and product yield of their existing production facilities and lower their level of energy consumption.

### ***Furnace construction solutions***

Our furnace construction solutions involve the design-building of entirely new ethylene cracking furnaces. The design-building process generally takes between 12 and 24 months to complete, but this can vary due to factors such as the complexity of, and the extent of construction work required for, each individual project. We believe that, compared to ethylene producers undertaking such design-building work themselves, our design-building solutions typically have the following advantages:

- reduced project costs due to bulk purchasing of materials and equipment;
- lower risks associated with the project due to our in-depth knowledge of design and engineering solutions and experience in using proprietary as well as third party technology; and
- shortened project lifecycles due to our know-how and experience in project management.

In the three years ended December 31, 2011 and the six months ended June 30, 2012, we provided EPC services for the design-building of ethylene cracking furnaces to PetroChina, CSPC and BASF-YPC Co., Ltd. The furnaces were all design-built in the PRC and have annual production capacities ranging from 3.0t/h to 20.0t/h. Depending on our scope of work, production capacity and other contract specifications, the contract value of our design-building projects in the three years ended December 31, 2011 and the six months ended June 30, 2012 ranged from RMB65.0 million to RMB243.6 million per furnace.

### ***Furnace renovation solutions***

Ethylene cracking furnaces, due to the severe conditions in which they operate, generally need to be serviced or renovated at an interval of between every four to six years. Furnace operators may take this opportunity to upgrade furnace capacity, reliability and energy efficiency. Renovating an existing ethylene cracking furnace mainly involves the refurbishing or upgrade of various hardware and software components of a furnace within its existing structure. It is a faster and less expensive way of increasing ethylene production capacity than constructing a new furnace based on the latest design. In some cases, it may be the only feasible option available to an ethylene producer due to space limitations.

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However, since the refurbishing or upgrading is carried out within the furnace's existing structure, precise calculations must be undertaken to ensure that the new hardware and software components are integrated into, and supported by, the existing structure. From design to completion, the typical project lifecycle of our furnace renovation solutions ranges from four to seven months.

Our furnace renovation solutions typically result in:

- an improvement in equipment utilization rate;
- a reduction in an ethylene cracking furnace's energy consumption; and
- an improvement in the yield of an ethylene cracking furnace, so that the level of ethylene produced from each unit of feedstock is increased, resulting in a reduction of the per unit production cost.

Between January 1, 2008 and June 30, 2012, we have successfully built, renovated, upgraded or expanded a total of 55 ethylene cracking furnaces in the PRC. Since September 2005, we provided our renovation solutions to clients including Sinopec, PetroChina and Liaoning Huajin Chemical Industry Group Co., Ltd. Depending on our scope of work, production capacity and other contract specifications, the contract value of our renovation projects in the three years ended December 31, 2011 and the six months ended June 30, 2012 ranged from RMB2.3 million to RMB55.8 million per furnace.

### ***Downstream petrochemicals***

Many different ethylene derivatives are produced through chemical reactions. The production of ethylene derivatives such as synthetic resin, synthetic rubber and synthetic fiber are typically made as a part of the modern integrated ethylene production complex. We have developed various engineering know-how relating to synthetic resin and synthetic fiber production plants.

Some of the ethylene derivative plants and complexes we helped build include the styrene butadiene rubber plant, polybutadiene rubber plant and FDPE plant at the PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, the LLDPE plant at PetroChina Sichuan Integrated Refinery and Petrochemical Complex and the MTBE plant for Sinopec Guangzhou.

### ***Major projects***

Benefiting from our strong track record in the ethylene furnace EPC arena, we have expanded our EPC services into the broader petrochemicals industry. Our major projects include:

- PetroChina Daqing Project: From August 2002 to June 2004, we built two ethylene cracking furnaces for PetroChina Daqing in Daqing, Heilongjiang Province, China, under a PC contract. The total production capacity of the PetroChina Daqing ethylene cracking furnaces was 600kta of ethylene. These ethylene cracking furnaces were two of the largest capacity furnaces in China at the time their operation was commissioned;

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- PetroChina Lanzhou Ethylene Plant Project: From April 2005 to October 2006, we expanded the production capacity of an ethylene plant in Gansu Province, China, for PetroChina Lanzhou and increased its production capacity by 460kta under a PC contract. This project successfully transformed us from a specialist in design-building ethylene cracking furnaces into an EPC service provider of both ethylene and downstream petrochemicals production facilities. The construction period for this plant, which started in April 2005 and continued until its commissioning in November 2006, was the shortest for a similar scale of construction in China at the time;
- PetroChina Dushanzi Integrated Refinery and Petrochemical Complex: From June 2006 to June 2009, we built the PetroChina Dushanzi Integrated Refinery and Petrochemical Complex in Dushanzi, Xinjiang, China, under several PC contracts. This integrated refinery and petrochemicals complex, at the time commissioned, had a total production capacity of 1,000kta of ethylene, 600kta of polyethylene and 180kta of styrene butadiene rubber. At the time this complex was commissioned in 2008, it was the largest plant of its kind in China;
- Nanjing BASF-YPC Ethylene Cracking Furnace Project: From July 2008 to December 2010, we built an EU ethylene cracking furnace for BASF-YPC Co., Ltd., a joint venture between BASF and Sinopec Yangzi, in Nanjing, Jiangsu Province, China, under an EPC contract. The EU ethylene cracking furnace we built has the capacity of 192kta of ethylene. This EU ethylene cracking furnace, at the time commissioned, was the largest liquid feedstock ethylene cracking furnace in the world; and
- Chongqing BASF MDI Complex Project: Between June 2011 and the estimated completion date of May 2014, under an E+PsCM contract, we and Daelim Industrial Co., Ltd. have been working on the building of the BASF MDI Complex in Chongqing, China, for BASF, which complex consists of: (i) a MNB plant, (ii) an aniline plant, (iii) a CMDI plant, (iv) a MMDI plant, (v) tank farm/logistics and (vi) certain utility systems.

### Oil refineries

We expanded our business into oil refinery construction in June 2006 by providing PMC services to PetroChina Dalian, which was the largest refinery in China at the time it was commissioned. On December 2, 2007, we entered into a contract with PetroChina Guangxi to provide procurement and construction management (PC) services for the construction of its naphtha hydrotreating and saturate gas concentration plants in its refinery project. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, revenue from this segment of our business amounted to approximately RMB207.3 million, RMB2,050.0 million, RMB2,447.0 million and RMB125.2 million, respectively, representing approximately 11.0%, 41.2%, 48.6% and 14.5%, respectively, of our total revenue for those periods.

Driven by China's rapid economic growth and expansion of the automotive industry, China's oil refining capacity increased significantly between 2005 and 2011 to meet the growth of demand in China from 395.0 million tons per year in 2005 to 542.0 million tons per year in 2011, as estimated by CMAI. Currently, many oil refineries are under different stages

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of development and China's oil refining capacity is expected to grow from 542.0 million tons per year in 2011 to 760.0 million tons per year in 2016, 940.0 million tons per year in 2021 and further to 990.0 million tons per year in 2026, as estimated by CMAI. CMAI estimates the total investment costs for the expansion from 2012 to 2016 will be in the range of US\$65.0 billion to US\$80.0 billion, and an additional US\$75.0 billion to US\$85.0 billion investment is expected from 2016 to 2021.

Building on our solid foundation in the provision of EPC, EP and PC services and our familiarity with the PRC petrochemicals industry, we believe that we are well-positioned to expand our business in providing tailor-made solutions to oil refineries to capture the opportunities presented by the growth in this area.

### ***Major projects***

For oil refineries, during the period between January 1, 2006 and June 30, 2012, we provided EPC or PMC services, including design, procurement and construction, to the following two oil refinery projects:

- PetroChina Dalian Refinery Project: From June 2006 to September 2008, we built an oil refinery for PetroChina Dalian in Dalian, Liaoning Province, China, under a PMC contract. The PetroChina Dalian Plant includes the following facilities: (i) a 2,200kta continuous reforming plant, (ii) a 3,600kta hydrocracking plant, (iii) a 3,000kta residue hydrodesulfur plant, (iv) a 200,000 Nm<sup>3</sup>/h hydrogen generation plant, (v) a 6,000kta diesel hydrorefining complex and (vi) a 270kta sulfur recovery plant. Each of these production facilities, at the time commissioned, was the largest production facility of its kind in China; and
- PetroChina Sichuan Integrated Refinery and Petrochemical Complex: Since September 2009, we have been working on the building of the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in Sichuan Province, China, under several PC contracts, which is expected to be fully completed by December 2012. The PetroChina Sichuan Integrated Refinery and Petrochemical Complex consists of (i) eight ethylene cracking furnaces, with a total production volume of 800kta, and pipe-racks, (ii) a 300kta LLDPE plant, (iii) a 2,700kta waxoil hydrocracking plant, (iv) a 200kta continuous reforming plant, including a pressure swing absorption (PSA) unit, (v) a 650kta paraxylene plant, (vi) a 100kta sulfur recovery plant and (vii) certain utility systems.

### **Coal-to-chemicals**

We entered into our first contract in this business segment in June 2007 by providing EPC services for the construction of Wison Nanjing's coal-to-synthesis gas production facility (see "Connected Transactions" for further details).

Coal-to-chemicals production is a rapidly developing industry in the PRC, as China has an abundance of coal reserves and coal is becoming increasingly important as an alternative energy source to certain petrochemicals in view of depleting petroleum reserves. China's twelfth five-year plan continues to emphasize the development of coal as a feedstock to decrease its dependency on petroleum, albeit with more focus on technological solutions to



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efficiency and environmental issues. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. Recently, the focus in China has shifted to coal-to-methanol, methanol-to-olefins (MTO) and methanol-to-propylene (MTP) processes that produce the same chemical products, such as ethylene and propylene, as the petrochemical facilities, due to the better cost efficiency and greater demand for these products. Subject to the model of services we are engaged in and the chemical conversion processes employed, the scale and duration of a coal-to-chemicals project do not differ materially from a petrochemicals project. We have identified several upcoming production facility construction projects by coal-to-chemicals producers. We intend to closely monitor and involve ourselves in the bidding process for these projects once they commence.

At the same time, the PRC government is becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not necessarily justify their environmental impact. The PRC government updated a new policy on coal-to-chemicals investment approvals on March 23, 2011, prohibiting investments in certain small scale coal-to-chemicals projects and imposing tight thresholds on large scale coal-to-chemicals projects. Pursuant to this update in policy, approval for the following projects is suspended pending issuance of new project approval standards by relevant government authorities: (i) coal-to-methanol-to-olefins projects with an annual output of no more than 500kta; (ii) coal-to-methanol projects with an annual output of no more than 1,000kta; (iii) coal-to-dimethyl ether projects with an annual output of no more than 1,000kta; (iv) coal liquefaction projects with an annual output of no more than 1,000kta; (v) coal-to-gas projects with an annual output of no more than two billion cubic meters; and (vi) coal-to-ethylene glycol projects with an annual output of no more than 200kta. In addition, any large scale coal processing and conversion projects that exceed the above outputs must also be submitted to the NDRC for approval.

As advised by our PRC legal advisers, the coal-to-chemicals project approvals that have been duly obtained from competent government authorities prior to March 23, 2011, the effective date of the new policy, will not be revoked by virtue of the implementation of the new policy. However, the new policy will apply to those projects whose project approvals are obtained after March 23, 2011 and existing projects that require further project approvals, for example, as a result of a modification or expansion of construction scale.

As of the Latest Practicable Date, none of our coal-to-chemicals projects that was in progress as of March 23, 2011, and none of our coal-to-chemicals project undertaken since then, have been delayed, cancelled or suspended. Most of the coal-to-chemicals projects currently undertaken by us do not involve the six chemical processes listed above. Among our current projects, those that do not involve the six chemical processes listed above include Projects 42 (Wison (Nanjing) Synthesis Gas Project), 45 (Shaanxi Yanchang Petroleum Light Oil Processing Facility Project), 47 (Wison Nanjing Butanol and Octanol Design Project), 48 (Inner Mongolia Guangyuan Thermal Power Project), 49 (Inner Mongolia Dongyuan Butanediol Project), 50 (Inner Mongolia Dongyuan Calcium Carbide Project), 51 (Wison Nanjing Butanol and Octanol Project Propylene Separation Licensing, Process Package Planning and Technical Service Project), 53 (Xinjiang XLX Energy Chemical Synthetic Ammonia and Urea Complex Project) and 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)). Among our four current projects that involve regulated chemical processes,



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Project 54 (Pucheng Polyethylene Plant Project), which involves the coal-to-methanol-to-olefins processes, has a planned output of 700kta of olefins, which is greater than the 500kta minimum output requirement. Projects 44 (Erdos Jinchengtai Methanol Project), 46 (Baoji Methanol Project) and 52 (Erdos Guotai Chemical Coal-to-Methanol Project) involve the coal-to-methanol process. While Project 44 has a planned output of 600kta of methanol and Project 52 has a planned output of 400kta of methanol, which are less than the 1,000kta minimum output requirement, both projects, however, received the relevant governmental approvals prior to March 23, 2011, and the validity of such approvals has not been affected by the new policy. Project 46 (Baoji Methanol Project), however, has a planned output of 1,500kta, which is higher than the 1,000kta minimum output requirement.

While the implementation of this new policy could adversely affect the initiatives of small scale coal-to-chemicals plants, we believe that this policy change will have minimal effect on our immediate future outlook in this business segment as we focus on projects that have planned annual output larger than the thresholds established by the policy.

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our total revenue derived from the provision of coal-to-chemicals production EPC services amounted to approximately RMB210.9 million, RMB28.4 million, RMB949.7 million and RMB520.8 million, respectively, representing approximately 11.2%, 0.6%, 18.9% and 60.5%, respectively, of our total revenue for those periods.

### ***Major projects***

We own proprietary technologies in the areas of coal-to-olefins, energy saving coal-to-methanol and coal-to-dimethyl ether and can provide a one-stop service encompassing transfer of the proprietary technologies, design and construction of the plants. During the period between January 1, 2007 and June 30, 2012, we provided EPC services to the following coal-to-chemicals projects:

- Wison (Nanjing) Synthesis Gas Project: From March 2007 to November 2009, we built a coal-to-synthesis gas production plant for Wison (Nanjing) Chemical Co., Ltd. in Nanjing, Jiangsu Province, China, under an E+PM+C contract. This coal-to-synthesis gas production plant, at the time commissioned, had the production capacities of 300kta of carbon monoxide, 100kta of methanol, 9,000Nm<sup>3</sup>/h hydrogen, 11,000Nm<sup>3</sup>/h synthesis gas and 16,000Nm<sup>3</sup>/h hydrogen-rich gas and is representative of our sophisticated EPC capability in the coal-to-chemicals segment;
- Erdos Jinchengtai Methanol Project: Since April 2009, we have been building a coal-to-methanol production plant for Erdos Jinchengtai Chemical Co., Ltd. in Erdos, Inner Mongolia, China, under an E+PM+C contract, which is expected to be completed in December 2012. The estimated production capacity of the plant will be approximately 600kta of methanol. This is our first EPC project provided to an independent third party in the coal-to-chemicals segment; and
- Pucheng Polyethylene Plant Project: We entered into an EPC contract with PuCheng Clean Energy Chemical Co., Ltd. to build a 700kta polyethylene production plant in Shaanxi Province, China. This project commenced in March

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2012 and is expected to be completed around December 2013. Its separation unit will utilize, and be licensed with, our proprietary methanol-to-olefins separation technology.

- Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I): We entered into a contract with Jiangsu Sailboat Petrochemical Co., Ltd. in May 2012 to provide EPC service to its 600kta MTO plant and relevant public utilities and ancillary facilities for its alcohol based cogeneration project (phase I) and EM+PC service to its 350kta EVA plant, 260kta acrylonitrile plant and 80kta MMA plant in Jiangsu Province, China. This project commenced in September 2012 and is expected to be completed around in March 2015. This is our largest project by contract value as of the Latest Practicable Date.

While the NDRC updated its policy on coal-to-chemicals investment approvals on March 23, 2011, prohibiting investments in certain small scale coal-to-chemicals projects and imposing tight thresholds on large scale coal-to-chemical projects, we believe that all relevant NDRC approvals for our backlog projects as of June 30, 2012 have been obtained and we are not aware of any project of our Group where NDRC project approval was not obtained by the project owner when such approval was required. As part of our tendering process, prior to tendering, we enquire of the project owners as to whether the relevant project: (a) is subject to NDRC approval, (b) was approved prior to the start of the tendering process, as required under PRC law in cases where NDRC approval is necessary, or (c) is certified by the project owners to have been approved by the NDRC. As the project owners, not the service providers, are the parties responsible under applicable PRC laws and regulations for obtaining NDRC approval for a project, any administrative sanctions, fines and other penalties will be borne by the project owner instead of our Group if the requisite NDRC approval has not been obtained. Under PRC laws and regulations, regardless of whether it is expressly stated in the project contract, the project owner is responsible for obtaining necessary government approvals, including NDRC approval, for the project, and if a project owner fails to obtain the necessary NDRC approval for a project, we will be entitled to seek compensation from the project owner for any loss we may suffer in connection with the project contract.

### **Other products and services**

#### ***Pipe fabrication***

Through our wholly owned subsidiary, Wison Yangzhou, we produce heat-resistant alloy tubes and fittings for the projects we undertake and as a supplier for third party purchasers. Wison Yangzhou does not engage in mass production of standard products, but instead manufactures its products according to client specifications and requirements. For the three years ended December 31, 2011 and the six months ended June 30, 2012, approximately 53.2% of Wison Yangzhou's products and services were supplied to Wison Engineering and the remainder of its products were supplied to PRC ethylene producers. We fabricate heat-resistant alloy tubes and fittings using nickel, carbon and stainless steel, titanium and aluminum. We fabricate these tubes by cutting them to specified lengths, welding flanges, fittings or other components on the tubes and bending the tubes to precise client specifications.

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During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our total revenue derived from the sales of heat-resistant alloy tubes and fittings amounted to approximately RMB137.3 million, RMB126.6 million, RMB17.1 million and RMB6.8 million, respectively. Our revenue derived from the sales of heat-resistant alloy tubes and fittings exclusive of inter-segment sales for the same periods amounted to approximately RMB78.5 million, RMB34.6 million, RMB14.7 million and RMB6.8 million, respectively.

### ***Other services***

We provide EPC and PC services for the enhancement and modification of other chemical engineering processing systems and facilities (such as steel and marine engineering projects). During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our total revenue derived from the provision of such other services amounted to approximately RMB1.4 million, RMB2.7 million, RMB0.9 million and RMB78.8 million, respectively.

Our most recent major project in this segment is:

- Saudi De-Bottlenecking (DBN) Project: We entered into EPC contracts with a Saudi Arabian company to provide services both within and outside of Saudi Arabia. This project (in the business segment of other products and services) commenced in May 2012 and is expected to be completed around September 2013. This is our first major EPC project abroad.

## **BUSINESS OPERATIONS**

We provide a broad range of project solutions to China's petrochemicals producers, oil refineries and coal-to-chemicals producers in the design, building and commissioning of their production facilities through our technology consultancy, engineering, procurement and construction management services. We also manufacture and sell heat-resistant alloy tubes and fittings.

### **Engineering, procurement, construction management and other services**

We operate our primary business of providing integrated solutions to the petrochemicals, oil refining and coal-to-chemicals industries mainly through a combination of engineering, procurement and construction management (EPC) services. From time to time at the request of our clients, we also provide other models of services, such as engineering management consulting (EM), engineering and procurement (EP), procurement management consulting (PM), procurement and construction management (PC) and project management contracting (PMC) services, where we charge fees for our project management services while our clients assume the costs of procurement and construction.

Much of the design and building of oil refineries and petrochemicals and coal-to-chemicals production facilities in China is, and has in the past been, undertaken by the engineering or construction management departments established by such producers, their parent companies or joint venture investors. To do so, these producers or their affiliates have to deploy significant human resources and undertake parts of the engineering, procurement and construction processes themselves, which tended to divert attention and

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resources from their core businesses. With our specialized services provided at each phase of the project lifecycle and by sub-contracting to construction sub-contractors, our clients are able to delegate to us the responsibility of planning and executing such functions within an agreed budget and pre-determined timetable. Our clients can also employ the most appropriate technologies, either proprietary or licensed from third parties, and services by relying on our broad knowledge base, technical capability and sourcing experience and have the comfort that the risks associated with the design and building of a project, such as poor construction quality and cost overruns, are transferred to us. See “Risk Factors—Risks Relating to Our Business—Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns”.

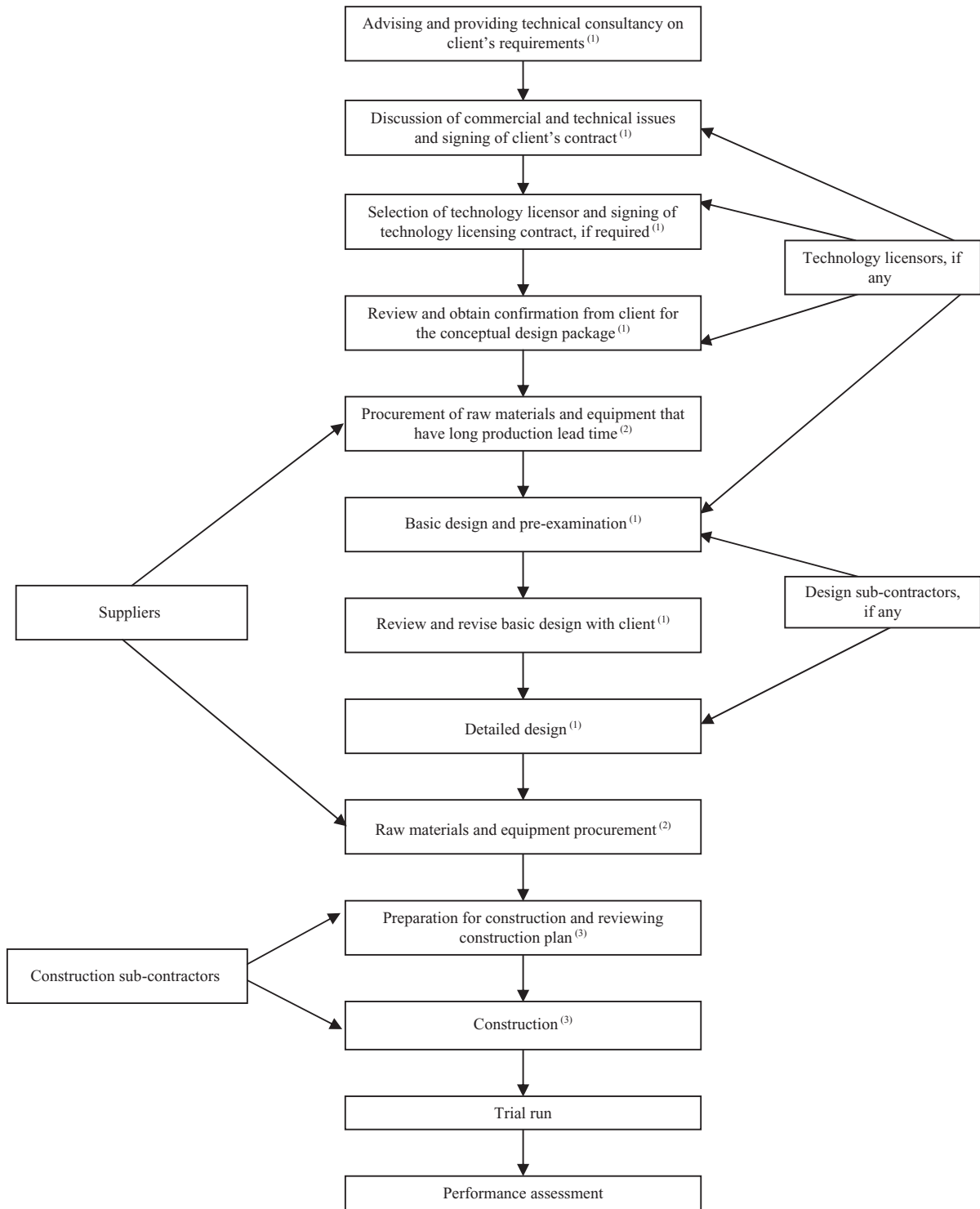
We tailor each of our project solutions to the specific nature and requirements of our clients. Generally, we have been requested to provide EPC or PC solutions for the design and building of petrochemicals and coal-to-chemicals production facilities and PC solutions for the building of oil refineries. Other models of services, such as PMC solutions, may also be adopted where applicable and necessary.

When providing a full EPC solution, we are in charge of all aspects of a project, including design and engineering, quality control, budget control, scheduling and post-sale technical support. Our role is to facilitate integration of various elements and systems and deliver to our clients a tailor-made solution. In order to ensure cost containment and minimize risks of delay, our engineering division, procurement division and construction management division work together to carefully plan each stage of a project, including scheduling, material and equipment specifications, cost estimates and resources for post-sale technical support. We believe, based on client feedback, that our efforts in systematically pre-examining each step of a project at an early stage are important to construction efficiency and cost containment.

We can also deploy specific elements of the EPC service as required by our clients. For instance, when we provide our solutions based on engineering and procurement (EP) services, we design and engineer the project, undertake the procurement of raw materials and equipment, but allow our clients or third parties to handle the construction of a project. In effect, we undertake most of the tasks under the full EPC service solution, except those relating to construction supervision. In contrast, when we provide our solutions based on procurement and construction management (PC) services, we do not make decisions on design and selection of technology but rather act as the project manager by overseeing the implementation of the design, undertaking the procurement and monitoring, and supervising the installation and construction of a project. In effect, we undertake most of the tasks under the full EPC service solutions, except for those relating to the engineering phase such as the selection of appropriate engineering and technological know-how and the preparation of designs.

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The following diagram depicts our workflow and the other parties involved in a typical petrochemicals, oil refineries or coal-to-chemicals project lifecycle:



**Notes:**

- (1) This step relates to the engineering phase of a project lifecycle.
- (2) This step relates to the procurement phase of a project lifecycle.
- (3) This step relates to the construction phase of a project lifecycle.

***Engineering phase***

During the engineering phase, our engineers review project requirements based on our experience, know-how and available technology, both proprietary and licensed from third parties. We then carry out the basic design work that involves the preparation of various design materials, consisting of conceptual designs for the equipment and technologies to be used, selection of materials and equipment and completion of the design of the overall structure necessary to meet with applicable regulatory requirements. Basic design is then submitted to the project owner for approval.

Detailed design, also known as construction plan design, is the next step of the engineering phase, which involves detailed and specific engineering designs based on the basic designs approved by project owners. Detailed designs transform basic designs into actual construction and installation plans and facilitate the procurement of raw materials and equipment.

In addition, based on the specifications of a project provided by our clients, we may source certain technologies from technology licensors which, in certain instances, are further supplemented with our own proprietary technologies. In such situations, the project owners typically also enter into technology licensing agreements with us for our proprietary technologies or with the owners of third party technologies, either directly or with our recommendation.

As of June 30, 2012, there were 615 employees in our engineering division, a majority of whom hold bachelor's degrees or above, with average working experience of approximately ten years. Wison Engineering holds a Class 1 Design Classification.

***Procurement phase***

During the procurement phase, we source raw materials and equipment within the PRC and from overseas for delivery to our clients in accordance with our established supplier evaluation and management system, supplier supervision and logistics systems. Based on the specifications drawn up during the engineering phase of a project, we prepare a list of relevant suppliers, seek bids, evaluate bidders' proposals, and monitor the manufacturing and delivery progress with suppliers to ensure that all ordered raw materials and equipment are delivered on schedule and are ready for scheduled installation and construction.

To ensure the reliable supply of quality materials and equipment, we have established and maintained a list of pre-approved qualified suppliers based on our internal sourcing policy. Suppliers on the list are given priority over other suppliers to supply us with the requisite materials and equipment for our projects. In order to be on our pre-approved list, a supplier has to pass our assessment on the quality of its production facilities, manufacturing capacity, financial strength, minimum sales volume for the most recent three years, product quality, pricing, reputation in the industry and availability of after-sales services. Each qualified supplier will be awarded a qualified supplier certificate that is valid for one year. Once included on our pre-approved list, qualified suppliers are subject to an annual assessment in order to stay on the list. As of June 30, 2012, there were 1,292 domestic and 85 overseas suppliers on our pre-approved list, as well as another 608 potential overseas suppliers. All such qualified suppliers are Independent Third Parties, except Jiangsu Xinhua (see "Connected Transactions" for further details).



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Procurement of raw materials and equipment typically comprises about 65% to 80% of the costs of a project. The proportion of cost of raw materials out of the total cost of raw materials and equipment procurement is relatively small, having represented approximately 10.3%, 26.2%, 12.1% and 10.6% of the total cost of raw materials and equipment procurement from all signed contracts during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. The fluctuation of raw material prices did not have any material impact on our cost of raw materials and equipment procurement during the three years ended December 31, 2011 and the six months ended June 30, 2012 and the variation between the initial budgeted and actual cost of raw materials and equipment procurement in our major projects was within 5.0% during the same period. The signing of raw materials and equipment supply contracts happens after the tender of our bids and while our actual costs for the execution of the supply contracts may differ from our estimates of such costs at the time we tender our bids, we have taken measures to limit our exposure to the fluctuation of raw materials and equipment prices for our fixed price contracts. See “—Procurement Management and Inventory Control” and “—Pricing and Risk Management—Risk Management Strategies—Fixed Price Contracts” for the details. Also, see “Financial Information—Net Profit Sensitivity” for a sensitivity analysis for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 showing the changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects.

We believe that early procurement planning, detailed knowledge of the supply channel, our ability to optimize component mix and a knowledgeable purchase team are important factors that have contributed to our success in cost containment. In addition, given our extensive and in-depth knowledge of the industry and our staff’s technical background and experience, we are typically able to identify all necessary materials and equipment that have relatively long production cycles and begin technical discussions with, and review fee proposals from, such suppliers. We procure equipment from reputable equipment manufacturers and generally require such manufacturers to warrant that they have all the requisite intellectual property rights with respect to the equipment sold to the project owners and to indemnify the project owners for losses as a result of infringing the intellectual property rights of third parties.

While we procure a majority of our imported raw materials and equipment directly, we have also established good relationships with many Independent Third Party suppliers locally and internationally and we are able to source high-quality materials and equipment from them for our projects. For imported materials and equipment that we do not procure directly, we generally procure such materials and equipment through PRC import agents designated by the project owners (which agents are also Independent Third Parties). We generally pay these import agents 0.6% to 0.7% of the contract sum and costs as an agency fee. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, approximately 20.0%, 26.0%, 13.0% and 11.0% of the raw materials, parts and equipment we procured were sourced from overseas. We have not experienced any major problems in the past with any of our agents or suppliers.

Our procurement engineer is responsible for handling procurement requisitions from the project manager for a particular project. The procurement engineer will choose appropriate suppliers of raw materials, parts or equipment from the procurement division’s

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pre-approved list of suppliers, which takes into consideration the quality of the equipment supplied and a risk analysis of whether such equipment may infringe on third party intellectual property rights, depending on the specifications given by the project manager. The procurement engineer will then produce a draft purchase order for review by our project procurement manager and our project fee control engineer and then for approval by our project manager. The purchase orders are also subject to the approval of our manager and deputy manager of procurement department, commercial director in charge of procurement and senior vice president in charge of the project management department, cumulatively, depending on the amounts of purchase orders. In particular, if the amount of any purchase order is more than RMB0.2 million and up to RMB3.0 million, such purchase order is subject to additional approval from our manager and deputy manager of procurement department; if the amount of any purchase order is more than RMB3.0 million and up to RMB5.0 million, such purchase order is subject to further additional approval from our commercial director in charge of procurement; and if the amount of any purchase order is more than RMB5.0 million, such purchase order is subject to further additional approval from our senior vice president in charge of the project management department. Once approved, the purchase order will be passed to the project procurement engineer for execution.

Some of our clients must undergo time-consuming internal approval procedures before they can sign binding project contracts with us. In the interest of shortening the construction schedule, we may begin technical discussions with, and review fee proposals from, certain suppliers of raw materials and equipment that have a long production lead time before we enter into binding project contracts. Once we execute the binding project contracts, we can then quickly select the final suppliers or issue purchase orders. Our client, whether as the project owner or general contractor, will then be obligated to pay us the advance costs for work performed and materials and equipment so ordered. During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not suffer any loss nor has there been any claim made against us as a result of the above arrangements.

Apart from participating in the overall project planning, our procurement division also undertakes activities such as verification of the qualifications of our suppliers, calling for bids, clarification of bid specifications, bid analysis and bid negotiation, and coordinating inspection, shipping and delivery logistics. As of June 30, 2012, there were 111 employees in our procurement division, a majority of whom hold bachelor's degrees or above with average working experience of approximately 20 years.

### ***Construction phase***

The construction phase involves the construction of oil refineries and petrochemicals and coal-to-chemicals production facilities and installation of equipment on-site.

Our staff members in our construction management division are highly experienced. As of June 30, 2012, there were 179 employees in our construction management division, a majority of whom hold bachelor's degrees or above with average working experience of approximately 17 years. Our construction managers organize and supervise the construction process through multiple levels of supervision and monitor the actual construction progress as compared to the project plan and implement remedial actions, if any, as necessary. Our construction managers review construction sub-contractors' performance based on work

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progress, quality of the work completed, safety of the construction site and compliance with regulatory and project requirements. In order to ensure that our construction sub-contractors comply with the regulatory and project requirements, we normally identify the items that should be inspected for each project to ensure our sub-contractors' compliance and inspect these items from time to time throughout the construction process. We also maintain a written record of each inspection. In the event that we find any weakness or possible non-compliance during our inspection, we give specific instructions and deadlines to our construction sub-contractors on how to take remedial actions. We closely supervise the remedial actions of our construction sub-contractors until they meet the regulatory and project requirements. In addition, for certain construction work, the project owners are required to engage a third party supervisor to supervise the construction process. If the third party supervisor finds any weakness or possible non-compliance by our construction sub-contractors, it will normally issue written notices to us. Once we receive such notices, we immediately notify our construction sub-contractors and request them to remedy the situation. We also closely supervise the remedial actions of our construction sub-contractors until they meet the requirements of the third party supervisors. For the three years ended December 31, 2011 and up to the Latest Practicable Date, there was no material default by or dispute with our construction sub-contractors.

With extensive assessment and pre-examination carried out before actual construction commences, we are able to pre-determine and establish our construction schedule as to when and how each part of the petrochemicals or coal-to-chemicals production facilities will be installed and conduct risk analysis of whether the project constructed would infringe third party intellectual property rights based on the conclusion of procurement engineers. Unlike the traditional installation methods where parts are only assembled on-site without any pre-calculation, our method has the advantage of enhanced quality assurance and a shortened construction schedule by identifying possible errors before the commencement of the actual construction stage.

### *Sub-contracting arrangements*

EPC service providers generally outsource the construction and installation work to construction sub-contractors as construction and installation is generally a highly competitive and low margin business. Our team of construction managers organizes and supervises the construction process to ensure quality and timely completion.

We sub-contract all construction and installation work to experienced and specialized construction companies with Grade I Overall Contracting Qualification. For certain projects owned by PRC state-owned enterprises, such as PetroChina or Sinopec, many of the construction sub-contractors are also subsidiaries of such state-owned enterprises. While project owners may participate in the process of selecting sub-contractors, as the EPC contractor, it is our responsibility to hire all sub-contractors. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the sub-contracting fees we paid to PetroChina's subsidiaries amounted to approximately RMB207.3 million, RMB473.9 million, RMB435.0 million and RMB68.1 million, respectively, which accounted for 66.5%, 64.2%, 45.8% and 16.7%, respectively, of the total sub-contracting fees we paid during the same periods. For the same periods, the sub-contracting fees we paid to Sinopec's subsidiaries amounted to approximately RMB35.8 million, RMB33.1 million, RMB115.1 million and RMB34.6 million, respectively, which

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accounted for 11.5%, 4.5%, 12.1% and 8.5%, respectively, of the total sub-contracting fees we paid during such periods. Our focus on the management of the construction process and quality control contributes to cost containment as a result of competitive bidding by sub-contractors and allows us to maintain flexibility in selecting sub-contractors with the most relevant technical expertise for a given project.

We select a majority of our construction sub-contractors through a competitive bidding process that, in addition to price, takes into account the historical performance, credibility, qualifications, management quality, experience and reputation of the bidder. We invite qualified sub-contractors to participate in the bidding process, or, if our clients so require, we also select sub-contractors through tender among sub-contractors approved and recommended by such clients.

As of June 30, 2012, there were 148 qualified sub-contractors on our list of construction sub-contractors, eight of whom have maintained business relationships with us for over six years. During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not experience any material delay in the work of our sub-contractors that led to any adverse impact on our operations.

### *Construction sub-contracts*

Key provisions of our construction sub-contracts typically include:

- provisions defining the scope and time for completion of the construction and installation work to be undertaken by us and the sub-contractor, respectively;
- provisions setting out that sub-contractors are responsible for all claims, damages, losses or other expenses arising from any delay or default by the sub-contractors in relation to the work to be undertaken by them;
- provisions setting out that we should give the sub-contractors relevant extensions if any delay or default is caused by us;
- provisions setting out that we may pay default interest to the sub-contractors if we do not make our payments timely; and
- provisions setting out that sub-contractors may not further sub-contract any part of our work to any other parties without our consent.

Generally, construction sub-contracts may be terminated only in accordance with the terms set out in the contracts, which typically include: non-performance of the sub-contracts by the sub-contractors; further sub-contracting without authorization; or our clients' failure to pay the contract price at specified times. During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not terminate any contract with any of our construction sub-contractors.

Under the Construction Law of the PRC (《中華人民共和國建築法》), as a general contractor, we are responsible to the client for the quality of the construction work. Therefore, we may be liable to the project owners for any default of our sub-contractors, even though we have a right to seek remedies from our sub-contractors. See "Risk Factors—Risks Relating to Our Business—We could be liable for the quality of our sub-contractors' work and could be sued for service/product or other liability that arises from our sub-contractors' work".

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### Our key responsibilities and value added in an EPC project

The following table summarizes our key responsibilities and value added by us in the three phases of the EPC model of a typical project:

KEY RESPONSIBILITIES OF OUR GROUP	ENGINEERING	PROCUREMENT	CONSTRUCTION
	<ul style="list-style-type: none"> <li>● assist in the preparation of project proposal and feasibility study based on our client's requirements</li> <li>● analyze the best-suited technologies to be applied</li> <li>● test the feasibility of certain design and engineering solutions</li> <li>● review and submit the basic design to clients</li> <li>● prescribe specifications for raw materials and equipment to be procured</li> <li>● utilize our in-depth knowledge and experience to formulate the detailed design and overall design management proposal</li> <li>● provide financing plans in conjunction with our engineering pricing service</li> </ul>	<ul style="list-style-type: none"> <li>● understand the specifications for raw materials and equipment to be procured based on our technical background and extensive operating experience</li> <li>● compile detailed procurement schedule and budget</li> <li>● search for suitable materials and equipment based on prescribed specifications or recommend suitable alternatives</li> <li>● assess suppliers' bids based on quality, pricing, intellectual property contents and other relevant factors</li> <li>● compile assessment report of suppliers' pricing and technical sophistication and confirm technical requirements</li> <li>● utilize our in-depth knowledge and experience to assess and inspect quality of materials and equipment ordered</li> </ul>	<ul style="list-style-type: none"> <li>● develop a construction plan and schedule the installation of the various components and equipment</li> <li>● assess construction sub-contractors' bids and construction plans and engage sub-contractors</li> <li>● apply our project management skills to manage the construction and installation process performed by sub-contractors</li> <li>● utilize our in-depth knowledge and experience to assess quality of completed construction and installation</li> </ul>

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KEY VALUE ADDED BY OUR GROUP	ENGINEERING	PROCUREMENT	CONSTRUCTION
	<ul style="list-style-type: none"> <li>● ability to understand clients' requirements, optimize the design solutions and reduce project costs</li> <li>● ability to evaluate a broad range of third party technology for suitability with the proposed projects</li> <li>● ability to apply certain proprietary technology and know-how onto individual clients' different facilities and carry out necessary customizations</li> </ul>	<ul style="list-style-type: none"> <li>● ability to bring forward the order of necessary materials and equipment before completion of the detailed design so as to shorten the project lifecycle</li> <li>● ability to achieve cost containment through bulk purchasing of materials and equipment, strict assessment of suppliers' pricing and quality via procurement by tender; control over the usage of raw materials and equipment to minimize wastage and costs</li> </ul>	<ul style="list-style-type: none"> <li>● ability to assess the reasonableness and practicality of construction plans, with a view to ensuring quality of the construction and shortening the construction schedule</li> <li>● ability to provide high-quality on-site management</li> </ul>

Based on our clients' feedback, our clients have often granted the project contracts to us because we have been capable of providing EPC services efficiently, particularly on large scale projects with tight timetables.

### **Manufacture and sale of integrated piping systems**

Aside from the provision of EPC services, we also manufacture and sell integrated piping systems comprising heat-resistant alloy tubes and fittings, including the following cracking furnace components: venturi pipes, guide plates, brackets, anchors, bends and plate guards, through our wholly owned subsidiary, Wison Yangzhou. Wison Yangzhou fabricates heat-resistant alloy tubes and fittings by using molten nickel, carbon and stainless steel, titanium and aluminum through a centrifugal or static casting process to create pipes of different diameters and thicknesses and by cutting these pipes to specified lengths, bending the pipes to precise shape specifications and welding flanges, fittings or other components to the pipes to create an integrated piping system.

As estimated by our Directors, the production capacity of Wison Yangzhou was at least 1,000 tons per year. The key machinery and equipment produced by Wison Yangzhou includes furnaces, centrifugal pipe molders, casting, pressing and welding machines and testing equipment. Annual maintenance and repair plans are devised for conducting regular maintenance on the machinery and equipment to ensure it is in good working order. For the three years ended December 31, 2011 and the six months ended June 30, 2012, Wison Yangzhou did not experience any material breach of contract or delay in its delivery of integrated piping systems.

We currently have two lines of production for centrifugal casting and one line of production for each of static casting, processing of pipes and pipe accessories and welding.



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### Table of Our Major Projects

The following table sets out our major service contracts, including all major service contracts signed or performed as of the Latest Practicable Date, by business segments and in the order of the project commencement date:

No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
1.	PetroChina Liaoyang Ethylene Cracking Furnaces Project	PetroChina Liaoyang	Petrochemicals	1. Engineering, Procurement and Construction Contract for New 60kta Ethylene Cracking Furnace #F112 of PetroChina Liaoyang; 2. Engineering, Procurement and Construction Contract for New 60kta Ethylene Cracking Furnace #F113 of PetroChina Liaoyang	EPC	April 2004	Completed in October 2005	100%	100%
2.	Maoming Seven Ethylene Cracking Furnaces Project	Maoming R&P Petrochemical Engineering Co., Ltd.	Petrochemicals	1. Procurement and Management Contract for Seven New Ethylene Cracking Furnaces of 800kta Ethylene Plant 2. Construction Management and Technical Service Contract for Seven New Ethylene Cracking Furnaces of 800kta Ethylene Plant	P+ Technical Service	July 2004	Completed in August 2006	100%	99.8%
3.	PetroChina Lanzhou Ethylene Cracking Furnaces Project	PetroChina Lanzhou	Petrochemicals	1. Procurement and Construction (PC) Contract for Ethylene Cracking Furnaces of the 600kta Ethylene Plant	PC	March 2005	Completed in November 2006	100%	100%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
4.	PetroChina Lanzhou Ethylene Plant Project	PetroChina Lanzhou	Petrochemicals	1. Procurement and Construction Contract for 600kta Ethylene Plant (excluding Ethylene cracking furnace) Renovation; 2. Procurement and Construction (PC) Contract for Spent Caustic Treatment Plant of the Ethylene Plant	PC	April 2005  August 2005	Completed in October 2006	100%	99.99%
5.	PetroChina Liaoyang Ethylene Cracking Furnace Project	PetroChina Liaoyang	Petrochemicals	Engineering, Procurement and Construction Contract for New 60kta Ethylene Cracking Furnace #F103X of PetroChina Liaoyang	EPC	November 2005	Completed in November 2006	100%	100%
6.	Ling Tian (Nanjing) Membrane Separation Unit Project	Ling Tian (Nanjing) Fine Chemical Co., Ltd.	Petrochemicals	Engineering, Procurement and Construction Contract for 1680Nm <sup>3</sup> /h CO/H Membrane Separation Unit of Ling Tian (Nanjing) Fine Chemical Co., Ltd.	EPC	January 2006	Completed in June 2007	100%	100%
7.	PetroChina Dushanzi Ethylene Cracking Furnace Project	Huanqiu	Petrochemicals	Procurement and Construction Contract for Ethylene Cracking Furnace and BFW System of the 1,000kta Ethylene Plant of PetroChina Dushanzi Integrated Refinery and Petrochemical Complex	PC	June 2006	Completed in June 2009	100%	99.1%
8.	Sinopec Guangzhou Ethylene Cracking Furnace Project	Sinopec Guangzhou	Petrochemicals	Engineering Management, Procurement and Construction Contract for new 40kta Ethylene Cracking Furnace of Sinopec Guangzhou	EPC	June 2006	Completed in January 2007	100%	100%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
9.	PetroChina Dushanzi Styrene Butadiene Rubber Plant Project	PetroChina Dushanzi	Petrochemicals	Procurement and Construction Contract for SSBR/SBS Plant of PetroChina Dushanzi Integrated Refinery and Petrochemical Complex	PC	October 2006	Completed in June 2009	100%	99.9%
10.	PetroChina Lanzhou Ethylene Cracking Furnaces Project	PetroChina Lanzhou	Petrochemicals	Engineering, Procurement and Construction Contract for Two New 40kta Ethylene Cracking Furnaces of PetroChina Lanzhou	EPC	November 2006	Completed in October 2007	100%	100%
11.	PetroChina Dushanzi FDPE Plant Project	PetroChina Dushanzi	Petrochemicals	Procurement and Construction Contract for the FDPE Plant of PetroChina Dushanzi Integrated Refinery and Petrochemical Complex	PC	December 2006	Completed in June 2009	100%	100%
12.	Shanghai Ethylene Cracking Furnace Renovation Project	Sinopec Shanghai	Petrochemicals	Engineering, Procurement and Construction Contract for Energy Saving Renovation of SRT-III Cracking Furnace of 2# Ethylene Plant of Sinopec Shanghai	EPC	February 2007	Completed in September 2007	100%	100%
13.	PetroChina Liaoyang F108 Ethylene Cracking Furnace Renovation Project	PetroChina Liaoyang	Petrochemicals	Engineering, Procurement and Construction Contract for Renovation of #F108 Ethylene Cracking Furnace of PetroChina Liaoyang	EPC	July 2007	Completed in July 2008	100%	100%
14.	Sinopec Guangzhou MTBE Plant Renovation Project	Sinopec Guangzhou	Petrochemicals	Engineering Management, Procurement and Construction Contract for MTBE Plant Renovation of Sinopec Guangzhou	EM+PC	November 2007	Completed in June 2008	100%	100%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
15.	Nanjing BASF-YPC Ethylene Cracking Furnace Project	BASF-YPC Co., Ltd.	Petrochemicals	Engineering, Procurement and Construction Contract for EU Furnace 310-H-109 For 192kta Ethylene Expansion Project	EPC	July 2008	Completed in December 2010	100%	100%
16.	Huizhou CSPC Ethylene Cracking Furnace Project	CSPC	Petrochemicals	1. Engineering, Procurement and Construction Contract for the 120kta LOP Cracking Furnace of the CSPC Debotlenecking Project 2. Supply Agreement for Onshore Procured Materials of LOP Cracking Furnace of the CSPC Debotlenecking Project	EPC	August 2008	Completed in April 2010	100%	100%
17.	PetroChina Fushun Ethylene Plant Project	PetroChina Fushun Petrochemical Corporation	Petrochemicals	Procurement and Construction Contract for 800kta Ethylene Plant	PC	October 2008	Completed in June 2012	97.9%	90.8%
18.	PetroChina Jilin Ethylene Cracking Furnace Renovation Project	PetroChina Jilin	Petrochemicals	Engineering, Procurement and Construction Contract for 1# Ethylene Cracking Furnace Renovation of 700kta Ethylene Plant of PetroChina Jilin	EPC	December 2008	Completed in September 2009	100%	100%
19.	PetroChina Jilin Ethylene Cracking Furnace Project	PetroChina Jilin	Petrochemicals	Engineering, Procurement and Construction Contract for the New 10# Ethylene Cracking Furnace of 150kta Ethylene Plant of PetroChina Jilin	EPC	January 2009	Completed in October 2009	100%	100%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
20.	PetroChina Sichuan LLDPE Plant Project	PetroChina Sichuan	Petrochemicals	Procurement and Construction Contract for 300kta LLDPE Plant of the 800kta Ethylene Plant of PetroChina Sichuan	PC	April 2009	Completed in November 2012	98.6%	81.3%
21.	PetroChina Sichuan Ethylene Plant Project	PetroChina Sichuan	Petrochemicals	Procurement and Construction Contract for Ethylene Cracking Furnaces and Pipe-rack of the 800kta Ethylene Plant of PetroChina Sichuan	PC	September 2009	Estimated to complete in December 2012	97.2%	71.6%
22.	Sinopec Guangzhou MTBE Plant Expansion Project	Sinopec Guangzhou	Petrochemicals	Engineering Management, Procurement and Construction Contract for MTBE Plant Expansion of Sinopec Guangzhou	EM+PC	March 2010	Completed in August 2010	100%	100%
23.	PetroChina Daqing Seven Cracking Furnaces Renovation Project	PetroChina Daqing	Petrochemicals	1. Engineering, Procurement and Construction Contract for Renovation of Ethane Cracking Furnace and Quench Oil Viscosity Reducing System of PetroChina Daqing 2. Engineering, Procurement and Construction Contract for Renovation of 16W Cracking Furnace Convection Section of PetroChina Daqing	EPC	March 2010	Completed in October 2010	100%	95.0%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
24.	Dushanzi Polybutadiene Rubber Plant Project	Xinjiang Land Fine Petrochemical Co., Ltd.	Petrochemicals	Engineering, Procurement and Construction Contract for the 50kta Polybutadiene Rubber Plant of Xinjiang Land Fine Petrochemical Co., Ltd.	EPC	March 2010	Completed in August 2011	99.3%	92.9%
25.	PetroChina Sichuan Central Laboratory Project	PetroChina Sichuan	Petrochemicals	Procurement and Construction Contract for PetroChina Sichuan Refinery Integration Engineering Central Laboratory Project	PC	March 2010	Completed in November 2012	95.0%	81.8%
26.	PetroChina Jilin Five Ethylene Cracking Furnaces Renovation Project	PetroChina Jilin	Petrochemicals	Engineering, Procurement and Construction Contract for Five Ethylene Cracking Furnaces Renovation of 700kta Ethylene Plant of PetroChina Jilin	EPC	July 2010	Completed in September 2011	99.2%	95.0%
27.	Shenyang Wax Chemical Naphtha Hydrotreating and Aromatics Project	Shenyang Wax Chemical Co., Ltd.	Petrochemicals	Engineering Design Contract for 120kta Naphtha Hydrotreating and 80kta Aromatics of Shenyang Wax Chemical Co., Ltd.	E	April 2011	Completed in August 2011	100%	73.0%
28.	BASF-YPC Liquid Furnace Renovation Project	BASF-YPC Co., Ltd.	Petrochemicals	Engineering Procurement and Construction Contract for H116 and H118 Liquid Furnace of BASF-YPC Renovation Project	EPC	March 2011	Completed in July 2011	100%	95.0%
29.	Chongqing BASF MDI Complex Project	BASF Polyurethane (Chongqing) Co., Ltd.	Petrochemicals	EP <sub>S</sub> CM Contract for BASF MDI Complex Chongqing Project	E+PsCM	June 2011	Estimated to complete in May 2014	39.7%	27.7%



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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
30.	SECCO Hydrogen Purification Plant Project	SECCO	Petrochemicals	1. Design Service Contract (Wilson Part) for 55000 NM <sup>3</sup> /h PSA Hydrogen Purification Plant of SECCO 2. Procurement and Construction Contract for 55000 NM <sup>3</sup> /h Hydrogen Purification Plant of SECCO 3. Procurement Contract for WYFCNA-193B-SK Catalyst of SECCO PSA Plant	EPC	July 2011	Completed in December 2011	98.0%	89.8%
31.	Sichuan Shengda Chemical PTA Project	China Chengda Engineering Co., Ltd.	Petrochemicals	Procurement and Construction Contract for 1000kta PTA of Sichuan Shengda Chemical New Material Co., Ltd.	PC	August 2012	Estimated to complete in December 2014	0%	0%
32.	Sichuan Shengda Chemical Adipic Acid, Hexan lactam, Nylon 6, Nylon 66 Units Project	China Chengda Engineering Co., Ltd.	Petrochemicals	Procurement and Construction Contract for Adipic Acid, Hexan lactam, Nylon 6, Nylon 66 Units of Sichuan Shengda Chemical New Material Co., Ltd.	PC	Estimated to commence in December 2012	Estimated to complete in December 2015	0%	0%
33.	Saudi Benzene Mitigation Project	A Saudi Arabian Company (an affiliate of the Saudi Arabian company for Project 57 below)	Petrochemicals	Engineering, procurement and construction of the Benzene Mitigation Project	EPC	May 2012	Estimated to complete in December 2013	0.3%	0%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
34.	Yantai Wanhua 750kta Propane Dehydrogenation Plant Furnace Project	Yantai Wanhua Polyurethanes Co., Ltd.	Petrochemicals	Engineering and Procurement Contract for Propane Dehydrogenation Plant Furnace of Propylene Oxide and Acrylate Integration Projects of Yantai Wanhua Polyurethanes Co., Ltd.	EP	October 2012	Estimated to complete in June 2014	0%	0%

In petrochemicals, between January 1, 2009 and June 30, 2012, our total aggregate new contract value was RMB8,733.1 million, of which RMB8,649.7 million, or 99.0%, was contributed by the projects set forth above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB6,001.1 million, of which RMB5,949.2 million, or 99.1%, was contributed by the projects set forth above.

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
35.	PetroChina Dalian Refinery Project	PetroChina Dalian	Oil refineries	Project Management Contract for PetroChina Dalian Oil Refinery Renovation Project	PMC	June 2006	Completed in September 2008	100%	100%
36.	PetroChina Guangxi Refinery Project	PetroChina Guangxi	Oil refineries	Procurement and Construction Contract for Naphtha Hydrocracking and Light Olefin Recovery Plant of PetroChina Guangxi	PC	September 2007	Completed in January 2010	100%	92.7%
37.	PetroChina Sichuan Continuous Reforming Plant and PX Plant Project	PetroChina Sichuan	Oil refineries	1. Procurement and Construction Contract for 600kta Polyxylene Plant of 10,000kta Refinery of PetroChina Sichuan 2. Procurement and Construction Contract for 2,000kta Continuous Reforming Plant (including PSA) of 10000kta Refinery of PetroChina Sichuan	PC	September 2009	Completed in November 2012	98%	88.5%
38.	PetroChina Sichuan Gasoil Hydrocracking Plant Project	PetroChina Sichuan	Oil refineries	Procurement and Construction Contract for 2,200kta Gasoil Hydrocracking Plant of 10,000kta Refinery of PetroChina Sichuan	PC	September 2009	Estimated to complete in December 2012	97.1%	87.5%
39.	PetroChina Sichuan Sulfur Recovery Plant Project	PetroChina Sichuan	Oil refineries	Procurement and Construction Contract for 60kta Sulfur Recovery Plant of 10,000kta Refinery of PetroChina Sichuan	PC	September 2009	Completed in November 2012	95.5%	84.2%

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
40.	PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project	China Chengda Engineering Co., Ltd.	Oil refineries	1. Procurement and Construction Contract for Refinery Utilities of the PetroChina Sichuan Integrated Refinery and Petrochemical Complex 2. Procurement and Construction Contract for Petrochemical Utilities of the PetroChina Sichuan Integrated Refinery and Petrochemical Complex	PC	September 2009	Completed in November 2012	99.1%	78.0%
41.	Deep Conversion Project, Puerto La Cruz Refinery	PDVSA Petróleo, S.A.	Oil refineries	Engineering, Procurement, Construction and Start up Assistance of the Environmental Units, Auxiliary Units and Renovation of the Atmospheric Distillation Units of the Deep Conversion Project, Puerto La Cruz Refinery	EPC	August 2012	Estimated to complete in February 2016	0%	0%

In oil refineries, between January 1, 2009 and June 30, 2012, our total aggregate new contract value was RMB11,332.3 million, of which RMB11,325.4 million, or 99.9%, was contributed by the projects set forth above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB4,829.5 million, almost all of which, was contributed by the projects set forth above.

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
42.	Wilson (Nanjing) Synthesis Gas Project	Wilson (Nanjing) Chemical Co., Ltd.	Coal-to-chemicals	Engineering, Procurement and Construction Contract for Wilson (Nanjing) Phase II Synthesis Gas Project	E+PM+C	March 2007	Completed in November 2009	100%	100%
43.	Erdos Guotai Methanol Project	Erdos Guotai Chemical Co., Ltd.	Coal-to-chemicals	Engineering, Procurement and Construction Contract for the 400kta Methanol Plant of Erdos Guotai Chemical Co., Ltd.	EPC	July 2009	Cancelled in January 2010 <sup>(1)</sup>	N/A <sup>(1)</sup>	100%
44.	Erdos Jinchengtai Methanol Project	Erdos Jinchengtai Chemical Co., Ltd.	Coal-to-chemicals	Engineering, Procurement and Construction Management Contract for 600kta Methanol Plant of Erdos Jinchengtai Chemical Co., Ltd.	E+PM+CM	April 2009	Estimated to complete in December 2012	91.3%	34.0%
45.	Shaanxi Yanchang Petroleum Light Oil Processing Facility Project	Beijing Petrochemical Engineering Co., Ltd.	Coal-to-chemicals	Engineering Design Contract for 400kta Light Oil Processing Facility of Shaanxi Yanchang Petroleum Yan'an Integrated Utilization of Coal, Petrol and Gas Resources Project	E	March 2011	Completed in October 2012	42.8%	20.0%
46.	Baoji Methanol Project	Shaanxi Changqing Energy & Chemical Co., Ltd.	Coal-to-chemicals	Engineering Management, Procurement and Construction Contract for Xuzhou Mining Group 1,500 kta Methanol Project with initial 600 kta Methanol Project	EM+PC	March 2011	Estimated to complete in December 2012	60.4%	38.4%

**Note:**

(1) Erdos Guotai Chemical Co., Ltd. ("Old Erdos Guotai"), a company established in the PRC on July 8, 2008 with limited liability, which was then indirectly majority-owned by Mr. Hua, and was deregistered on May 5, 2011, was the project owner of Erdos Guotai Methanol Project and was a chemical production company that began the construction of a coal-to-chemicals facility after obtaining a preliminary allocation of coal supply granted by the Erdos local government. The completion of the project was dependent on obtaining a significant ongoing allocation of coal. Due to an increase in the number of industry participants in the Erdos area and a limit on coal production, Erdos Guotai Methanol Project did not obtain the final amount of coal allocation from the government that it previously expected. Therefore, on January 20, 2010, we and Old Erdos Guotai agreed to terminate the project and reduced the contract value to RMB89.4 million.

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
47.	Wison Nanjing Butanol and Octanol Design Project	Wison Nanjing	Coal-to-chemicals	Engineering Contract for Overall Design, Infrastructure Design and Detailed Engineering Design of Wison Nanjing 250kta Butanol and Octanol Project	E	September 2011	Completed in November 2012	63.3%	54.0%
48.	Inner Mongolia Guangyuan Thermal Power Project	China Chengda Engineering Co., Ltd.	Coal-to-chemicals	Procurement and Construction Contract for Inner Mongolia Guangyuan Thermal Power 4X50,000 KW back-pressure units Project	PC	July 2011	Estimated to complete in June 2014	0%	0%
49.	Inner Mongolia Dongyuan Butanediol Project	China Chengda Engineering Co., Ltd.	Coal-to-chemicals	Procurement and Construction Contract for Inner Mongolia Dongyuan Technology Co., Ltd. 100 kta 1,4-Butanediol Project	PC	July 2011	Estimated to complete in June 2014	0%	0%
50.	Inner Mongolia Dongyuan Calcium Carbide Project	China Chengda Engineering Co., Ltd.	Coal-to-chemicals	Procurement and Construction Contract for Inner Mongolia Dongyuan Technology Co., Ltd. Guangyuan Chemicals 720 kta Calcium Carbide Project	PC	August 2011	Estimated to complete in June 2014	0%	0%
51.	Wison Nanjing Butanol and Octanol Project Propylene Separation Licensing, Process Package Planning and Technical Service Project	Wison Nanjing	Coal-to-chemicals	Engineering Contract for Wison Nanjing 250kta Butanol and Octanol Project Propylene Separation Licensing, Process Package Planning and Technical Service Project	E	September 2011	Completed in May 2012	63.3%	54.0%



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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for Which Payment Has Been Received as of June 30, 2012
52.	Erdos Guotai Chemical Coal-to-Methanol Project	Erdos Guotai Chemical Co., Ltd. <sup>(1)</sup>	Coal-to-chemicals	Engineering, Procurement and Construction Contract for 400kta Coal-to-Methanol Project of Erdos Guotai Chemical Co., Ltd.	EPC	December 2011	Estimated to complete in April 2014	6.9%	24.0%
53.	Xinjiang XLX Energy Chemical Synthetic Ammonia and Urea Complex Project	Xinjiang XLX Energy Chemical Co., Ltd.	Coal-to-chemicals	Engineering Design Contract for 300kta Synthetic Ammonia and 520kta Urea Complex of Xinjiang XLX Energy Chemical Co., Ltd.	E	December 2011	Estimated to complete in August 2013	6.4%	17.5%
54.	Pucheng Polyethylene Plant Project	PuCheng Clean Energy Chemical Co., Ltd.	Coal-to-chemicals	Pucheng 700 kta coal to olefins project polyethylene plant and PE/PP Packaging warehouse EPC overall contract	EPC	March 2012	Estimated to complete in December 2013	2.8%	0%
55.	Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)	Jiangsu Sailboat Petrochemical Co., Ltd.	Coal-to-chemicals	Jiangsu Sailboat Petrochemical Co., Ltd. Alcohol Based Cogeneration Project (Phase I)	EPC & EM+PC	September 2012	Estimated to complete in March 2015	0%	0%
56.	Pucheng Public Utility and Ancillary Facilities Project	PuCheng Clean Energy Chemical Co., Ltd.	Coal-to-chemicals	Pucheng 700 kta coal to olefins project public utility and ancillary facilities engineering management, procurement and construction contract	EM+PC	August 2012	Estimated to complete in September 2013	0%	0%

Note:

(1) Erdos Guotai Chemical Co., Ltd. ("Erdos Guotai"), a company established in the PRC on November 11, 2011 with limited liability, is wholly-owned by Erdos Guotai Trading Co., Ltd., a company established in the PRC on November 10, 2003 with limited liability, which in turn is owned as to 95% by Beijing Haohua Energy Resource Co., Ltd., a company listed on the Shanghai Stock Exchange and an Independent Third Party, and as to 5% by Wison Nanjing. Therefore, Erdos Guotai is not a connected person of our Company.

In coal-to-chemicals, between January 1, 2009 and June 30, 2012, our total aggregate new contract value, was RMB19,802.5 million, of which RMB19,706.7 million, or 99.5%, was contributed by the projects set forth above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB1,709.8 million, of which RMB1,664.3 million, or 97.3%, was contributed by the projects set forth above.

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No.	Project Name	Client	Business Segment	Contract	Mode of Operation	Commencement Date	Project Status	Percentage of Contract Revenue Recognized as of June 30, 2012	Percentage of Contract Revenue for which Payment Was Received as of June 30, 2012
57.	Saudi De-Bottlenecking (DBN) Project	A Saudi Arabian company	Other products and services	Engineering, Procurement, Construction, Construction Management, Start-up, Hot Commissioning, Plant Acceptance and staff training of the De-Bottlenecking (DBN) Project	EPC	May 2012	Estimated to complete in September 2013	3.8%	15.0%
58.	Zhoushan Wison Marine Engineering Base Project	Zhoushan Wison	Other products and services	Procurement and Construction Contract for the Marine Engineering Base Project of Zhoushan Wison	PC	May 2012	Estimated to complete in October 2013	6.8%	0%

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### ***Total contract value***

In petrochemicals, between January 1, 2009 and June 30, 2012, our total aggregate new contract value was RMB8,733.1 million, of which RMB8,649.7 million, or 99.0%, was contributed by the projects set forth in the major projects table above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB6,001.1 million, of which RMB5,949.2 million, or 99.1%, was contributed by the projects set forth in the major projects table above.

In oil refineries, between January 1, 2009 and June 30, 2012, our total aggregate new contract value was RMB11,332.3 million, of which RMB11,325.4 million, or 99.9%, was contributed by the projects set forth in the major projects table above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB4,829.5 million, virtually all of which was contributed by the projects set forth in the major projects table above.

In coal-to-chemicals, between January 1, 2009 and June 30, 2012, our total aggregate new contract value was RMB19,802.5 million, of which RMB19,706.7 million, or 99.5%, was contributed by the projects set forth in the major projects table above. During the same period, we recognized an aggregate net revenue, net of estimated VAT, of RMB1,709.8 million, of which RMB1,664.3 million, or 97.3%, was contributed by the projects set forth in the major projects table above.

### ***Backlog and new contract value***

Backlog represents our estimate of the contract value of work that we are engaged in and remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT. New contract value represents the aggregate value of the contracts that we entered into during a specified period. The contract value of a project represents the amount that we expect to receive under the terms of the contract assuming the contract is performed in accordance with its terms. To the extent work on these contracts advances, amounts are progressively removed from backlog. Backlog is not an audited measure defined by IFRS and our methodology in determining backlog may not be comparable to the methodology used by other companies.

Backlog might not be indicative of our future operating results and difficulties in contract performance could lead to inaccuracies with respect to the ultimate income from uncompleted contracts. Not all our revenue is recorded in backlog for a variety of reasons, including the fact that some projects begin and end within a short-term period. Many contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the clients, and thus only a portion of the remaining work is set at any given stage of performance. Further, the termination or modification of any one or more sizeable contracts or the addition of other contracts could have a substantial and immediate effect on the amount of our backlog and the revenue and profits we may earn from such contracts, and could have a material adverse effect on our profitability and financial condition. As a result, our backlog information presented in this prospectus should not be relied on as an indicator of our future earnings.

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The following table sets forth, net of estimated VAT, our backlog, new contract value and recognized contract revenue for each of the periods indicated. In any given period, our backlog at the beginning of the period plus our contract value for new contracts entered into during the period less our recognized contract revenue for the period equals our backlog at the end of the period.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
<i>(Unaudited, RMB in millions)</i>				
<b>Backlog at the beginning of the period</b>				
Petrochemicals .....	3,219.5	3,606.5	1,413.3	5,376.0
Oil refineries .....	20.7	4,705.2	2,642.3	161.6
Coal-to-chemicals .....	30.5	78.0	53.1	5,953.3
Other products and services .....	—	—	—	—
Total .....	<u>3,270.7</u>	<u>8,389.7</u>	<u>4,108.7</u>	<u>11,490.9</u>
<b>Contract value for new contracts entered into during the period<sup>(1)</sup></b>				
Petrochemicals .....	1,784.7	676.0	5,581.4	384.1
Oil refineries .....	4,892.5	—	(7.3)	5,929.5
Coal-to-chemicals .....	256.0	—	6,839.4	11,131.8
Other products and services .....	—	—	—	1,161.2
Total .....	<u>6,933.2</u>	<u>676.0</u>	<u>12,413.5</u>	<u>18,606.6</u>
<b>Recognized contract revenue for the period<sup>(1)(2)</sup></b>				
Petrochemicals .....	1,397.7	2,869.2	1,618.7	129.9
Oil refineries .....	208.0	2,062.9	2,473.4	126.7
Coal-to-chemicals .....	208.5	24.9	939.2	518.6
Other products and services .....	—	—	—	78.8
Total .....	<u>1,814.2</u>	<u>4,957.0</u>	<u>5,031.3</u>	<u>854.0</u>
<b>Backlog at the end of the period</b>				
Petrochemicals .....	3,606.5	1,413.3	5,376.0	5,630.2
Oil refineries .....	4,705.2	2,642.3	161.6	5,964.4
Coal-to-chemicals .....	78.0	53.1	5,953.3	16,566.5
Other products and services .....	—	—	—	1,082.4
Total .....	<u>8,389.7</u>	<u>4,108.7</u>	<u>11,490.9</u>	<u>29,243.5</u>

**Notes:**

- (1) Contract value for new contracts entered into during the period and recognized contract revenue for the period are net of estimated VAT, including any adjustments for prior periods.
- (2) Recognized contract revenue is not equal to our total revenue. In 2009, the difference between the recognized contract revenue of RMB1,814.2 million and the total revenue of RMB1,884.4 million consisted primarily of revenue from sales of goods, net of business tax, of RMB78.5 million and revenue from rendering of services, net of tax payable, of RMB9.7 million less tax payable for the recognized contract revenue of RMB18.0 million. In 2010, the difference between the recognized contract revenue of RMB4,957.0 million and the total revenue of RMB4,976.2 million consisted primarily of revenue from sales of goods, net of business tax, of RMB34.6 million and revenue from rendering of services, net of tax payable, of RMB16.6 million less tax payable for the recognized contract revenue of RMB32.0 million. In 2011, the difference between the recognized contract revenue of RMB5,031.3 million and the total revenue of RMB5,036.6 consisted primarily of revenue from sales of goods, net of business tax, of RMB14.7 million and revenue from rendering of services, net of tax payable, of RMB51.7 million less business tax payable for the recognized contract revenue of RMB61.1 million. In the six months ended June 30, 2012, the difference between the recognized contract revenue of RMB854.0 million and the total revenue of RMB861.7 million consisted primarily of revenue from sales of goods, net of business tax, of RMB15.7 million and revenue from rendering of services, net of tax payable, of RMB11.7 million less business tax payable for the recognized contract revenue of RMB4.0 million.

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### ***Analysis of our backlog***

As of December 31, 2009, backlog in each of our business segments consisted primarily of: (i) in petrochemicals, Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project), Project 17 (PetroChina Fushun Ethylene Plant Project), Project 20 (PetroChina Sichuan LLDPE Plant Project) and Project 21 (PetroChina Sichuan Ethylene Plant Project); (ii) in oil refineries, Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project); and (iii) in coal-to-chemicals, Project 44 (Erdos Jinchengtai Methanol Project).

As of December 31, 2010, backlog in our oil refineries business segment contributed to the largest portion of the backlog. Backlog in our petrochemicals business segment consisted primarily of Project 17 (PetroChina Fushun Ethylene Plant Project), Project 20 (PetroChina Sichuan LLDPE Plant Project), Project 21 (PetroChina Sichuan Ethylene Plant Project) and Project 24 (Dushanzi Polybutadiene Rubber Plant Project). As of December 31, 2010, backlog in our oil refineries business segment consisted primarily of four projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which were Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project). We believe we were awarded these projects as our expertise in providing PC services to oil refinery projects began to receive recognition. As of December 31, 2010, backlog in our coal-to-chemicals business segment consisted primarily of Project 44 (Erdos Jinchengtai Methanol Project).

As of December 31, 2011, backlog in our coal-to-chemicals business segment constituted the largest portion of our backlog due to the inclusion of four new projects and increased contract revenue of RMB6,839.4 million attributable to the projects undertaken in this segment. Backlog in our petrochemicals business segment related primarily to two new projects we entered into in 2011 to be commenced in 2012, Project 32 (Sichuan Shengda Chemical Adipic Acid, Hexanlactam, Nylon 6, Nylon 66 Units Project) and Project 31 (Sichuan Shengda Chemical PTA Project). Backlog in our oil refineries business segment related primarily to Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) and Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), all of which recognized over 95% of their respective contract revenue for the project as of December 31, 2011. Backlog in our oil refineries business segment decreased significantly in 2011 compared to 2010 because the four projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which were Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completed their principal construction phases by the end of 2011 and we did not commence any large scale oil refinery project in 2010 or 2011 to offset this decrease in backlog. Backlog in our coal-to-chemicals business segment as of December 31, 2011 related primarily to four new projects: Project 50 (Inner Mongolia Dongyuan Calcium Carbide Project), Project 46

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(Baoji Methanol Project), Project 48 (Inner Mongolia Guangyuan Thermal Power Project) and Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project), as compared to backlog as of December 31, 2010 that did not relate to any similar projects, as we did not commence any large scale coal-to-chemicals projects during 2010.

As of June 30, 2012, backlog in our coal-to-chemicals business segment constituted the largest portion of backlog, followed by oil refineries and petrochemicals. Backlog in our coal-to-chemicals business segment primarily related to Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project), Project 48 (Inner Mongolia Guangyuan Thermal Power Project), Project 49 (Inner Mongolia Dongyuan Butanediol Project), Project 46 (Baoji Methanol Project) and Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)), our largest project by contract value as of the Latest Practicable Date. Backlog in our petrochemicals business segment primarily related to Project 32 (Sichuan Shengda Chemical Adipic Acid, Hexanlactam, Nylon 6, Nylon 66 Units Project), Project 31 (Sichuan Shengda Chemical PTA Project) and Project 33 (Saudi Benzene Mitigation Project). Backlog in our oil refineries business segment primarily related to Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), Project 37 (PetroChina Sichuan Continuous Reforming Plant, PX Plant Project), Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and Project 41 (Deep Conversion Project, Puerto La Cruz Refinery). In addition, we had RMB1,082.4 million of backlog in our other products and services business segment as of June 30, 2012, as we were awarded Project 57 (Saudi De-Bottlenecking (DBN) Project) and Project 58 (Zhoushan Wison Marine Engineering Base Project) in this business segment during the six months ended June 30, 2012. A breakdown of our backlog as of June 30, 2012 by major clients, each accounting for at least 20.0% of our backlog as of that date, is as follows: of our backlog as of June 30, 2012, RMB10,484.4 million, or 35.9%, was attributable to Jiangsu Sailboat Petrochemical Co., Ltd., RMB7,617.2 million, or 26.0%, was attributable to China Chengda Engineering Co., Ltd., and RMB5,863.1 million, or 20.0%, was attributable to PDVSA Petr leo, S.A. Our dependency on the PetroChina and Sinopec groups diminished during this period. Of our backlog as of June 30, 2012, RMB143.2 million, or 0.5%, was attributable to PetroChina and its subsidiaries, on a group basis, and RMB21.2 million, or 0.1%, was attributable to Sinopec and its subsidiaries, on a group basis.

### ***Analysis of our new contracts***

In 2009, we entered into three major projects in our petrochemicals business segment, which were Project 19 (PetroChina Jilin Ethylene Cracking Furnace Project), Project 20 (PetroChina Sichuan LLDPE Plant Project) and Project 21 (PetroChina Sichuan Ethylene Plant Project), four major projects in our oil refineries business segment, which were Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), and two major projects in our coal-to-chemicals business segment, which were Project 43 (Erdos Guotai Methanol Project) and Project 44 (Erdos Jingchentai Methanol Project).

In 2010, we entered into four major projects in our petrochemicals business segment, which were Project 22 (Sinopec Guangzhou MTBE Plant Expansion Project), Project 23



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(PetroChina Daqing Seven Cracking Furnaces Renovation Project), Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and Project 26 (PetroChina Jilin Five Ethylene Cracking Furnaces Renovation Project). We did not commence any large scale oil refinery project during 2010, and we were still in the early stage of developing our coal-to-chemicals business segment in 2010, and therefore we had no new major contracts in these two business segments during this period.

In 2011, we entered into four major projects in our petrochemicals business segment, which were Project 25 (PetroChina Sichuan Central Laboratory Project), Project 29 (Chongqing BASF MDI Complex Project), Project 31 (Sichuan Shengda Chemical PTA Project) and Project 32 (Sichuan Shengda Chemical Adipic Acid, Hexanlactam, Nylon 6, Nylon 66 Units Project), and four major projects in our coal-to-chemicals business segment, which were Project 46 (Baoji Methanol Project), Project 48 (Inner Mongolia Guangyuan Thermal Power Project), Project 49 (Inner Mongolia Dongyuan Butanediol Project) and Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project). As a result of certain increases in VAT, and since our new contract value is calculated net of estimated VAT, we had negative RMB7.3 million in our new contract value in the oil refineries business segment in 2011, reflecting the application of an increased VAT rate to our contracts in this business segment as compared to the prior year. Our research and development efforts in the past few years on the MTO and MTP processes has been beneficial to us in dealing with project owners who are seeking to develop large scale projects based on these technologies. So far as we are aware, no large scale oil refinery project in the PRC opened for tender during 2011. Correspondingly, we had no new major contracts in this business segment during this period.

In the six months ended June 30, 2012, we entered into two major projects in our coal-to-chemicals business segment, Project 54 (Pucheng Polyethylene Plant Project) and Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)), our largest project by contract value as of the Latest Practicable Date. We entered into one major project in our petrochemicals business segment, Project 33 (Saudi Benzene Mitigation Project). We entered into one major project in our oil refineries business segment, Project 41 (Deep Conversion Project, Puerto La Cruz Refinery). In addition, we were awarded Project 57 (Saudi De-Bottlenecking (DBN) Project) and Project 58 (Zhoushan Wison Marine Engineering Base Project) in our other products and services business segment during the six months ended June 30, 2012. In the six months ended June 30, 2012, our total new contract value, net of VAT, was approximately RMB18,606.6 million. Of our RMB18,606.6 million in new contract value, net of estimated VAT, for the contracts awarded to us in the six months ended June 30, 2012, approximately RMB105.5 million, or 0.6%, was attributable to PetroChina and its subsidiaries, on a group basis, and approximately RMB31.1 million, or 0.2%, was attributable to Sinopec and its subsidiaries, on a group basis, respectively, during this period.

Furthermore, in November 2012, PDVSA Petróleo, S.A. confirmed to us in a letter that it is considering awarding to Wison Engineering the site preparation contract relating to Project 40 (Deep Conversion Project, Puerto La Cruz Refinery) subject to (a) agreement on the details of the relevant contract with us and (b) our assisting in arranging project financing relating to the relevant contract. We are in the process of negotiating the terms of the site preparation contract with PDVSA Petróleo, S.A. and liaising with a PRC bank for financing for the project. There is no assurance that such contract will be awarded to us.

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### SALES AND MARKETING

Given that there are only a limited number of producers in China's oil refining and petrochemicals and coal-to-chemicals production industries, our marketing strategy mainly focuses on direct marketing to existing and potential clients. We aim to strengthen our ongoing business relationships with our existing clients, maintain a high level of client satisfaction and attract potential clients by building and reinforcing our reputation in the petrochemicals industry.

Due to the technology-oriented nature of our business, we emphasize our in-depth knowledge of the industry and related technologies in our marketing activities. A majority of the members of our sales and marketing division have a technical background and are familiar with the complex specifications required for our solutions. We believe that these are important attributes as they help to develop clients' trust and reliance on us. Our sales team maintains regular contacts with our existing and potential clients to discuss, among other things, clients' development plans and technology trends in the industry, thereby gaining invaluable market information for our analysis. We may begin our sales process by assisting our clients in the preparation of project requirements and a feasibility study and analyzing the best-suited technology to be applied. Our sales team emphasizes developing long-term relationships with clients and often approaches potential clients at a very early stage even before a specific project has been initiated or identified, so that we can work with these potential clients to understand their requirements and concerns and also build relationships with relevant officers and other personnel, to ensure that we are well placed to secure business when specific opportunities arise. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had 61, 80, 100 and 95 staff members in our sales and marketing team, respectively.

We have formulated guidelines and work procedures for project tendering, such as our Project Tendering Work Procedures. When we receive an invitation for tender, we first gather information on the project and analyze the relevant data and requirements. Working teams are then formed whereby the bidding plan and strategies are formulated, and the amount and complexity of work to be undertaken, technical skills required, expected time schedule, market conditions, safety measures and all other aspects that could affect our obligations are discussed. Upon approval by a vice president or senior vice president, the tender documents are submitted to the project owner for consideration. As the set of tendering procedures in place are closely monitored and submission of tendering documents is only made upon final approval by our management, we believe that our control and procedures in relation to contract-bidding are adequate and effective in enabling us to comply with the requirements of the tendering process.

Since August 2002, we have maintained a branch office in Beijing with the main function of enhancing coordination and communication with our major clients, relevant national bureaus and societies and associations within the petrochemicals industry. The branch office assists us to enlist industry experts and keep us up to date with the latest developments in the regulation of the petrochemicals industry.

Since March 2011, we have maintained a subsidiary in Singapore with the main function of gathering local market intelligence. Our Singapore office has since provided

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feasibility studies and preliminary engineering plans to several projects in Southeast Asia as well as tendered several bids.

We have also established a branch office in Saudi Arabia in August 2008 to provide us with local market intelligence in the Middle East and a branch office in Jakarta in August 2011 to provide us with local market intelligence in Indonesia. Currently, we are also planning to look for opportunities in West Africa and Latin America. For example, we established a branch office in Venezuela in April 2012 to provide us with local market intelligence in Latin America.

We also participate in China's annual meeting for ethylene producers and other exhibitions and seminars relating to engineering technologies for the energy industry to keep abreast of changing technological trends and client requirements.

### OUR CLIENTS

Ethylene and downstream petrochemicals production and oil refining industries in the PRC are currently dominated by two industry leaders in the petrochemicals market in the PRC, PetroChina and Sinopec, and their independently-operated subsidiaries. According to CMAI, the total ethylene production capacity in the PRC was 15.6 million tons per year in 2011. In 2011, the PetroChina and Sinopec groups had 3.7 million and 9.8 million tons of ethylene capacity, respectively, accounting for 23.6% and 63.0% of the total ethylene production capacity in 2011 in China, respectively, as estimated by CMAI. We have been providing one-stop EPC service solutions for ethylene cracking furnaces to a number of subsidiaries of PetroChina and Sinopec since 2002 and 2000, respectively, and have established good working relationships with them. Since 2005, we have successfully expanded our business to undertake projects beyond ethylene cracking furnaces to other sections of ethylene and downstream product production facilities and starting from 2006, oil refineries.

We have continued to maintain a strong connection with PetroChina and its subsidiaries since 2000 as they continue to build new ethylene production plants and renovate existing furnaces. Our strong relationship with PetroChina is based on a combination of continued development of our proprietary furnace technologies coupled with our project execution experience and ability to service the requirements of PetroChina and its subsidiaries. Other than through our arm's length business relationship with PetroChina and its subsidiaries, we, our shareholders, senior management, Directors and any of our or their respective associates have no other past or present relationships with PetroChina and its subsidiaries. In the three years ended December 31, 2011, revenue derived from PetroChina and its subsidiaries, on a group basis, constituted a large proportion of our revenue. Our revenue derived from our largest client, PetroChina and its subsidiaries, on a group basis, amounted to approximately RMB1,188.9 million, RMB3,985.0 million, RMB2,941.6 million and RMB120.6 million or 63.1%, 80.1%, 58.4% and 14.0% of our revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and our major clients during this period included nine independently operated subsidiaries of PetroChina: PetroChina Dalian, PetroChina Daqing, PetroChina Dushanzi, PetroChina Fushun, PetroChina Guangxi, PetroChina Jilin, PetroChina Lanzhou, PetroChina Liaoyang and PetroChina Sichuan.

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While we continued to maintain good relations with Sinopec and its subsidiaries during the same period, particularly with our participation in several projects owned by Sinopec Maoming, Sinopec Shanghai and Sinopec Guangzhou, in comparison to PetroChina, revenue derived from Sinopec and its subsidiaries, on a group basis, amounted to RMB182.7 million, RMB98.0 million, RMB57.0 million and RMB11.7 million, or approximately 9.7%, 2.0%, 1.1% and 1.4% of our total revenue in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, as the engineering subsidiaries of Sinopec developed their own engineering skills and competed with us to obtain EPC contracts from Sinopec and its subsidiaries. While only a small percentage of our revenue was derived from Sinopec and its subsidiaries in the three years ended December 31, 2011 and the six months ended June 30, 2012, we believe that as the PRC economy continues to develop, Sinopec may build additional ethylene and downstream chemical production facilities and oil refineries and we may have opportunities to win further bids from Sinopec and its subsidiaries in the future.

Additionally, during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our five largest clients, in aggregate, counting each subsidiary of PetroChina on a standalone basis, accounted for approximately 72.5%, 95.9%, 93.7% and 80.4%, respectively, of our total revenue. During the same periods, our five largest clients, in aggregate, counting revenue derived from PetroChina and its subsidiaries and Sinopec and its subsidiaries, respectively, on a group basis, accounted for approximately 96.6%, 99.3%, 96.7% and 86.3%, respectively, of our total revenue. Our revenue derived from the single largest client for the same periods, counting each subsidiary of PetroChina on a standalone basis, amounted to approximately 44.7%, 46.2%, 51.3% and 37.7%, respectively, of our total revenue.

In order to further diversify our sources of revenue and reduce our reliance on our major clients, including PetroChina and its subsidiaries as well as Sinopec and its subsidiaries, we plan to cover more mid- to large-size petrochemicals producers that are not subsidiaries of PetroChina or Sinopec, continue to expand our business in the oil refineries and coal-to-chemicals business segments and selectively expand into the international markets. As a result, we anticipate that we will be less dependent on PetroChina, Sinopec and their subsidiaries going forward. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our contract value from new clients, excluding subsidiaries of PetroChina and Sinopec, was RMB1,829.8 million, RMB521.9 million, RMB4,932.5 million and RMB19,536.7 million, respectively, which, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, accounted for 24.0%, 67.3%, 38.3%, and 98.9% respectively, of our new contract value. Some of our recently acquired new clients include PuCheng Clean Energy Chemical Co., Ltd. in connection with the Pucheng Clean Energy Project and Shaanxi Changqing Energy & Chemical Co., Ltd. in connection with Project 46 (Baoji Methanol Project). Generally, construction of petrochemicals and coal-to-chemicals facilities, oil refineries or the new construction of ethylene furnaces require approximately 12 to 36 months to complete, while contracts for ethylene furnace renovation services typically require approximately four to seven months to complete. While each project contract is negotiated on an arm's length basis, the basic terms of our contracts with new clients do not differ materially from those with the subsidiaries of PetroChina and Sinopec.

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None of our Directors, any of their associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company had any interest in any of our five largest clients during the three years ended December 31, 2011 and the six months ended June 30, 2012.

We have not had any difficulties in obtaining credit facilities during the three years ended December 31, 2011 and up to June 30, 2012 and we do not believe that our business, operations or financial situation have been negatively affected by recent adverse economic conditions in China (including, but not limited to, the after-effects of a recently uncovered fraudulent lending scheme based in Wenzhou, Zhejiang Province) or by the general market downturn in the United States and Western Europe. However, we cannot assure you that such events will not affect us in the future, either domestically or in our international expansion. See “Risk Factors—Risks Relating to Our Business—We may fail to obtain financing to meet our liquidity needs and sustain our continued growth” and “—Our expansion into overseas markets is subject to political, economic and other uncertainties not generally encountered in our PRC domestic operations”.

### **PROCUREMENT OF RAW MATERIALS AND EQUIPMENT SUPPLIERS**

#### **Procurement of raw materials and equipment**

We procure raw materials, parts and equipment that include stainless steel, copper alloy materials, valves and industrial meters for our projects. Most of our principal raw materials, parts and equipment were sourced from the PRC, although, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, approximately 20.0%, 26.0%, 13.0% and 11.0%, respectively, were sourced from abroad.

The purchase prices of our raw materials or equipment are determined by reference to market conditions. As our EPC services and manufacturing are conducted on a project-by-project basis, most of our procurement of raw materials or equipment is made in accordance with specific contracts with our clients. The availability of a number of alternate sources of raw materials or equipment has enabled us to minimize the effect on our business of any interruptions in the supply of raw materials or equipment. We also monitor any changes in the prices of equipment and raw materials and from time to time may enter into fixed price agreements with equipment and raw material suppliers to secure a fixed cost for existing projects. During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not experience any material increase in the prices of our raw materials nor any problem that had a significant effect on our ability to source raw materials, parts or equipment necessary for our production or projects.

#### **Suppliers**

We have maintained business relationships with our five largest suppliers of raw materials and equipment for the three years ended December 31, 2011 for between two to seven years. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our five largest suppliers accounted for approximately 19.8%, 17.1%, 19.3% and 17.9%, respectively, of our total purchases, while our largest supplier accounted for approximately 6.2%, 4.2%, 7.2% and 7.1%, respectively, of our total purchases.



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None of our Directors, any of their associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company had any interests in any of our five largest suppliers during the three years ended December 31, 2011 and the six months ended June 30, 2012.

See “—Business Operations—Engineering, Procurement, Construction Management and Other Services—Procurement Phase” above for further details on procurement and our suppliers. Also see “—Credit Control and Cash Flow Management” below for further details on payment arrangements with suppliers.

### **PROCUREMENT MANAGEMENT AND INVENTORY CONTROL**

Procurement management is very important to our business model as most of our contracts during the three years ended December 31, 2011 and the six months ended June 30, 2012 were fixed price contracts and included procurement management within the services provided. Of the RMB29,243.5 million of our total backlog as of June 30, 2012, RMB18,770.4 million, or 64.2%, consisted of fixed price contracts. As such, for the projects where we provide procurement management services, we utilize a material control and procurement management system to closely monitor and control raw materials, parts and equipment supply, delivery schedules and allocation to better suit the purchase plan and delivery schedule to the needs of the project.

We monitor and control the inventory levels of our raw materials, parts and equipment closely to optimize our operations. We have an inventory control system that monitors the planning and allocation of warehouse stock of raw materials, parts and equipment to coordinate with the project requirements and schedules.

In general, the equipment we use is manufactured on a contract basis according to the specific requirements of each of our EPC projects. Any excess or unused materials, parts or equipment at the end of a project are generally returned to the suppliers or sold to the project owners for their future use. We keep excess materials, parts or equipment as inventory only if they are of a nature that we can use in concurrent or subsequent projects.

In the three years ended December 31, 2011 and the six months ended June 30, 2012, we maintained relatively stable gross profit margins despite the changes in the prices of raw materials and equipment and the changes in the proportion of cost of raw materials out of the total cost of raw materials and equipment procurement, having represented approximately 10.3%, 26.2%, 12.1% and 10.6% of the total cost of raw materials and equipment procurement from all signed contracts during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. The fluctuation of raw material prices did not have any material impact on our cost of raw materials and equipment procurement during the three years ended December 31, 2011 and the six months ended June 30, 2012 and the variation between the initial budgeted and actual cost of raw materials and equipment procurement in our major projects was generally within 5.0% during the same period. The signing of raw materials and equipment supply contracts happens after the tender of our bids and while our actual costs for the execution of the supply contracts may differ from our estimates of such costs at the time we tender our bids, we have taken measures to limit our exposure to the fluctuation of raw materials and equipment prices for our fixed price



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contracts: (i) the availability of a number of alternate sources of raw materials or equipment has enabled us to minimize the adverse effect on our business of any interruptions in the supply of raw materials or equipment (we had 1,292 domestic and 85 overseas suppliers on our pre-approved list, as well as another 608 potential overseas suppliers as of June 30, 2012); (ii) we have signed framework agreements with major suppliers of raw materials and equipment to secure volume discounts for some of our raw materials and equipment purchases; and (iii) in addition, we monitor changes in the prices of raw materials and equipment and from time to time may enter into fixed price agreements with raw materials and equipment suppliers to secure a fixed cost for existing projects. See “—Pricing and Risk Management—Risk Management Strategies—Fixed Price Contracts” for the detailed measures that we have taken to limit our exposure to the fluctuation of raw materials and equipment prices for our fixed price contracts. Also, see “Financial Information—Net Profit Sensitivity” for a sensitivity analysis for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 showing the changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects. Our early procurement planning, detailed knowledge of the supply channel, ability to optimize component mix and knowledgeable purchase team are important factors that have enabled and helped us to control purchase costs.

### **CREDIT CONTROL AND CASH FLOW MANAGEMENT**

We incur considerable expenses during the course of a project. Therefore, effective credit control and cash flow management are critical to the success of our business.

Apart from certain raw materials, parts and equipment that have long production lead times such that, in order to meet project schedules, we have to order before receiving advances or payment from the clients, we usually request that our clients make an advance to us representing 10% to 20% of the contract price upon our entering into a contract with our client and before we commence the design process or incur significant project management expenses. Over the term of an agreement with a client, the client is required to continue to pay to us installments, typically by way of progress payments upon attaining certain agreed objective milestones (such as the delivery of equipment on site, completion of the project construction and expiration of warranty period) or on a monthly basis reflecting work completed, whereby the relevant inspection departments of our clients together with third party inspection teams (who are Independent Third Parties), if third party certification is required, review the quality of work completed or equipment delivered before remitting payments to us.

### **Payment arrangements with our clients**

For construction contracts, our normal payment arrangements with our clients are as follows: (i) 10% to 20% of the total contract price is collected as an advance upon signing of the contract; (ii) further collection is made such that we will have cumulatively received 60% to 70% of the total contract price based on project milestones (such as the materials and equipment being delivered on site) for relatively smaller projects or in accordance with monthly or other periodic progress billings for relatively larger projects; and (iii) further collection is made such that we will have cumulatively received 90% to 100% of the total contract price upon completion of the construction and acceptance testing. With respect to

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our internal control measures on billing management, see “—Internal Controls—Internal Control on Revenue and Cost Recognition and Billing Management”. Depending on the contract, we may provide, as a form of retention fund, bank guarantees to clients representing approximately 5% of the total contract price until the expiry of the warranty period, which on average is about 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production. In cases where we provide a bank guarantee to clients, the guarantee is of the nature of a performance guarantee and eliminates the need for any retention money.

For supply contracts in relation to the integrated piping systems manufactured and sold by Wison Yangzhou, the general payment arrangements with our major clients are as follows: (i) up to 30% of the total contract price is collected as an advance upon signing of the contract; (ii) further payments are made by our clients such that we will have cumulatively received 90% to 95% of the total contract price upon delivery of goods to the clients; and (iii) the remaining 5% to 10% of the total contract price is withheld by our clients as retention money, which is collected upon the expiry of the warranty period, which on average is 12 months after the delivery of goods.

Our terms of business typically require our clients to make payments within 30 days of the payment date stipulated in the contract and receipt of invoices. We may, however, provide more favorable credit terms to our clients who have long-term relationships with us. See “Financial Information—Liquidity and Capital Resources—Trade Receivables Level and Turnover Days” for further details on our clients’ credit terms.

### **Payment arrangements with raw materials and equipment suppliers**

Our normal payment arrangements with our raw material suppliers generally do not require any advance payment on signing, but up to 90% to 100% of the invoice amount must be paid before delivery of goods.

Our normal payment arrangements with our equipment suppliers are as follows: (i) 15% to 30% of the total contract price is paid as an advance upon signing of a supply contract; (ii) further payment is made such that we will have cumulatively paid 90% to 95% of the total contract price when the equipment is delivered; (iii) 5% to 10% of the total contract price is paid when the equipment delivered has passed any on-site testing; and (iv) the remaining 5% of the total contract price is paid upon the expiry of the warranty period which on average is about 12 months after the delivery of the key equipment on site.

Raw materials and equipment costs generally constitute about 65% to 80% of the total cost of a project. Our purchases from overseas suppliers are generally settled by bank order or telegraphic transfer, whereas local purchases are generally settled by check or by bank transfer. During the three years ended December 31, 2011 and the six months ended June 30, 2012, most of our purchase costs were settled in Renminbi as our purchases were either made in the PRC or imported from overseas through our PRC import agents.

Our credit payment terms to our raw materials and equipment suppliers are approximately 30 to 90 days, depending on the nature and the amount of our purchases.

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### **Payment arrangements with construction sub-contractors**

Our normal payment arrangements with construction sub-contractors are generally fixed and are payable by progress payments; in particular, some sub-contracts provide for monthly payments calculated by reference to the progress of construction, others provide for payments against the meeting of certain project milestones, such as upon the completion of the installation of certain parts of the cracking furnaces or facilities, delivery of the completed solution and expiry of the warranty period. For a description of how the timing difference between the payment term for credit payment given to us by the project owners and the credit payment terms given by us to the sub-contractors affected our results of operations and financial condition, see “Financial Information—Factors Affecting our Results of Operations and Financial Condition—Timing of Our Cash Flow and Revenue Recognition”.

Our credit payment terms to our construction suppliers are approximately 30 to 90 days, depending on our overall assessment of the particular sub-contractors.

### **PRICING AND RISK MANAGEMENT**

It is generally the project owners, and not the service providers such as us, who determine (and set out in the bidding documents) whether a contract is fixed price or cost plus. Generally, we price our projects based on our estimate of the cost involved in delivering our services, adjusted for factors such as the volume of business, length of contracts, potential benefits of establishing a long-term business relationship with a client and other competitive factors involved in bidding for a client’s project.

Many of our EPC services are provided under fixed price contracts that fix an all inclusive lump-sum price for a project. In the three years ended December 31, 2011 and the six months ended June 30, 2012, approximately RMB1,827.5 million, RMB4,952.1 million, RMB5,006.5 million and RMB852.5 million, or 97.0%, 99.5%, 99.4% and 98.9% of our revenue, was attributable to fixed price contracts. Of the RMB29,243.5 million of our Group’s total backlog as of June 30, 2012, RMB18,770.4 million, or 64.2%, consisted of fixed price contracts. While fixed price contracts entail business and financial risks, notably requiring us to absorb any cost overruns, we can also profit from any cost savings generated from the project through disciplined risk management and cash flow management. See “—Competition” below.

Given the nature of fixed price contracts, various factors, including increases in the cost of raw materials and equipment due to unforeseen events, delays caused by adverse weather conditions or unexpected events and failure on the part of suppliers or sub-contractors to perform, could reduce our profit margins. See “Risk Factors—Risks Relating to Our Business—Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns” for more details. Also, see “Financial Information—Net Profit Sensitivity” for a sensitivity analysis for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 showing the changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects. In order to manage the risks of fluctuating raw materials and equipment prices and sub-contracting fees for our fixed price contracts, we determine our fee quotation during the tendering process based on a careful and comprehensive estimation of procurement costs, construction costs, management

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fees and expenses that may be incurred throughout the project, including: (a) procurement costs in accordance with the estimated prices for the required raw materials and equipment, taking into account the prevailing and anticipated trends of raw materials and equipment prices based on our analysis of historical pricing data and estimation of the future supply and demand for such raw materials and equipment; (b) construction costs in accordance with the project scale, with reference to the costs in projects that use similar sub-contractors, raw materials and equipment as well as local pricing standards at the project venues; and (c) management fees and expenses in accordance with the estimated manpower required for the project, with reference to the cost per capita of previous projects and local pricing standards at the project venues. We have undertaken a variety of measures to limit our exposure to cost increases. See “—Procurement Management and Inventory Control” and “—Pricing and Risk Management—Risk Management Strategies—Fixed Price Contracts” for more details.

From time to time, we may enter into contracts based on non-fixed pricing models, where, for example, we charge our actual cost for the project plus a margin as negotiated and agreed by the project owners (cost plus pricing). In the three years ended December 31, 2011 and the six months ended June 30, 2012, approximately RMB56.9 million, RMB24.1 million, RMB30.1 million and RMB9.2 million, or 3.0%, 0.5%, 0.6% and 1.1% of our revenue, was attributable to contracts based on non-fixed pricing models. Of the RMB29,243.5 million of our Group’s total unaudited backlog and the RMB16,566.5 million of our unaudited backlog in the coal-to-chemicals business segment as of June 30, 2012, RMB10,473.1 million, or 35.8% and 63.2% respectively, was attributable to Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)), our largest project by contract value as of the Latest Practicable Date, which was based on a cost plus pricing model. In general, cost plus contracts transfer the risks of fluctuating raw materials and equipment prices and sub-contracting fees to the project owners and thus limit the risk of gross profit margin volatility. As project owners take into account this shifting of risk, gross profit margins for our cost plus contracts tend to be lower than gross profit margins for our fixed price contracts.

### **Performance and progress penalty clauses**

Our agreements with clients usually contain performance and progress penalty clauses. Under the performance penalty clauses, if our solutions fail to attain any agreed performance parameters (such as yield of ethylene/propylene and furnace thermal efficiency), we will be subject to fines ranging from 0.1% to 1.0% of the total contract price for each unit of deviation. Nevertheless, our agreements with clients usually also provide that the maximum amount of fines payable under such clauses will not exceed 5% of the total contract price.

Under the progress penalty clauses, delay in the delivery of a solution typically attracts a fine ranging from 0.01% to 0.5% of the contract price per day, although since 2006, our agreements typically provide for a cap on the fine of between 2.0% and 5.0% of the contract price. During the three years ended December 31, 2011 up to the Latest Practicable Date, we have not experienced any material delay in our projects nor have we incurred any significant fines under any of our agreements with clients.

### **Warranty period, retention money and bank guarantee**

Under a number of our agreements with clients, we either allow approximately 5% of the contract price to be retained by our clients or issue a bank guarantee for the equivalent

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sum to our client until the expiry of our warranty period, which normally is 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production. During the warranty period, we are responsible for rectifying any defects in the services or equipment provided. We are also responsible for carrying out repairs and providing technical support to our clients. For the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not experience any material defect in the services or equipment we provided, and as a result we did not incur any expenses to rectify defects or carry out repairs.

Bank guarantees taken out by us have been generally counter-guaranteed by pledges of our cash. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our cash balances at banks with total carrying values of approximately RMB158.5 million, RMB148.1 million, RMB235.3 million and RMB382.7 million were pledged to banks for issuance of bank guarantees in respect of construction contracts. During the same period, we have not had any material retention money forfeited or bank guarantees enforced by our clients.

### **Risk management strategies**

#### ***Fixed price contracts***

In order to limit our exposure to the fluctuation of raw materials and equipment prices and sub-contracting fees for our fixed price contracts, we have taken the following measures:

- Budgeting engineering and procurement costs and expenses strictly in accordance with the specific needs of each project in order to control the project cost;
- Setting up a “procurement risk control” team with 13 members to analyze pricing trends of raw materials and equipment and circulating the results to the relevant departments for reference on a quarterly basis;
- Having our procurement engineers in charge of quotations participate in preparing quotations of raw materials and equipment prices for projects and our procurement experts with relevant expertise in the “procurement risk control” team examine and monitor such quotations for every project during the tendering process;
- Having our project procurement managers and project fee control engineers review and our project managers approve each draft purchase order in respect of raw materials and equipment procurement and our management/senior management approve the purchase orders over certain thresholds. In particular, if the amount of any purchase order is more than RMB0.2 million and up to RMB3.0 million, such purchase order is subject to additional approval from our manager and deputy manager of procurement department; if the amount of any purchase order is more than RMB3.0 million and up to RMB5.0 million, such purchase order is subject to further additional approval from our commercial director in charge of procurement; and if the amount of any purchase order is more than RMB5.0 million, such purchase order is subject to further additional approval from our senior vice president in charge of the project management department. See “—Business

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Operations—Engineering, procurement, construction management and other services—Procurement phase” for more details;

- Entering into fixed price agreements with raw materials and equipment suppliers from time to time;
- Entering into framework agreements with major raw materials and equipment suppliers to jointly bear the risks of price fluctuation;
- Monitoring closely market prices and paying close attention to market forecasts and market condition analysis, placing orders in a timely manner, making deposits, advance payments and progress payments to the relevant suppliers in a timely manner and monitoring closely the availability of major raw materials and equipment from suppliers;
- Selecting the equipment in strict compliance with the technical requirements of the design;
- Selecting suitable sub-contractors for construction during the tendering process;
- Establishing a pre-approval system with regular assessments of each of the raw materials and equipment suppliers and sub-contractors and a short list of qualified raw materials and equipment suppliers and sub-contractors;
- Adopting a mechanism for reviewing the prices of raw materials and equipment provided by suppliers;
- Controlling increases in project costs by strictly regulating changes in the project scope;
- Making claims to project owners with respect to significant changes in project scope or delays caused by the project owners in order to limit increases in cost; and
- Keeping the management fees and payroll costs of a project under control through stringent control of staff numbers and reasonable deployment.

As a result of these pricing and risk management measures, the influences of fluctuating raw materials and equipment prices and sub-contracting fees on the gross profit margins of our fixed price projects have been minimal during the three years ended December 31, 2011 and the six months ended June 30, 2012.

### ***Engineering, procurement, construction management and other services***

In light of the above and in order to minimize such risks, we pursue strategies of risk management based principally on the following elements:

To avoid cost overruns:

- Selecting projects carefully by rejecting any project that we believe will not offer adequate profitability to cover the risks involved; and



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- Estimating costs at various stages prior to the signing of agreements with clients, based on our extensive experience in procuring equipment, materials and services and analyzing cost trends.

To minimize cash flow mismatches:

- Controlling costs and minimizing the impact from fluctuations of the prices of raw materials and equipment by careful scheduling to shorten the period of time between the signing of agreements with clients and the ordering of supplies;
- Requesting suppliers to submit monthly production progress briefings for supply contract cycles exceeding six months and paying random visits to production sites of suppliers to conduct quality inspections;
- Negotiating payment terms and conditions to minimize contract and financial risks; and
- Implementing budgeting and internal cost control policies and conducting regular project reviews by our project management department together with the relevant divisions responsible for the project.

See “—Internal Controls—Internal Control on Cost Overruns and Cash Flow Mismatches” for more details of our procedures and processes implemented to avoid cost overruns and minimize cash flow mismatches.

For quality assurance:

- Selecting appropriate raw materials and equipment suppliers and sub-contractors based on intellectual property contents, technical abilities and financial strength and awarding contracts through a competitive bidding process to the extent possible;
- Establishing close working relationships and maintaining constant communication with relevant raw materials and equipment suppliers and construction sub-contractors;
- Implementing strict quality control measures on projects through the establishment and enforcement of stringent internal rules and regulations; and
- Throughout a project, and prior to authorization for delivery of a solution, carrying out rigorous quality assurance and test runs.

While we diligently employ the strategies described above and relevant internal control procedures described below to minimize our risks, the shifting of the risks associated with the construction of production facilities, such as delays and cost overruns, from our clients to us is inherent in the nature of our business model. As the factors leading to cost overruns are difficult to predict at the time of bidding or prior to signing of binding agreements, it may not be possible for us to alleviate fully the risks of cost overruns. See “Risk Factors—Risks Relating

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to Our Business—Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns”.

### ***Manufacture and sale of integrated piping systems***

Supply contracts in relation to the heat-resistant alloy tubes and fittings manufactured and sold by Wison Yangzhou are generally awarded after bilateral negotiations or a competitive bidding process. The pricing of our products is governed by market conditions with reference to similar products in the market. Depending on the contract sum, goods and contract party, our supply contracts generally contain the following provisions:

- Fines ranging from 5% to 10% of the contract value in case of breach of contract by either party;
- Penalties up to 0.1% of the contract value per day for late deliveries, up to a maximum penalty of 5%; and
- Retention of approximately 5.0% of the contract price by our clients until the expiry of our warranty period, which normally is approximately 12 months after the acceptance of the goods and services by our clients.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not experience any material warranty claim.

## **INTERNAL CONTROLS**

We have policies on internal controls in place. Our Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with applicable laws and regulations, we have stipulated internal procedures and guidelines with a view to establishing and maintaining our internal control systems, which cover business operations, human resources management, finance management, administration and legal compliance. To our knowledge, during the three years ended December 31, 2011 and the six months ended June 30, 2012, save as disclosed in this prospectus, no material failure occurred and we believe that our internal control system and current procedures are sufficient and effective.

### ***Internal control on revenue and cost recognition and billing management***

Our project management department reviews, on a quarterly basis, the difference between the budgeted cost and actual cost of each project through the project stage at the time of review, in accordance with the project schedule set forth in each project contract, and issues an update on total budgeted cost if necessary. Any noted differences must be acknowledged by our senior vice president in charge of the project management department before we recognize the relevant revenue. This procedure also applies to revenue and cost recognition of any variation orders, claims and incentive payments.

If there are significant variation orders, the relevant agreement will be revised and the capital plan for the project will be accordingly updated for reference of monthly revenue recognition. The review and approval for the revision of the agreement and capital plan are

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the same as for a new project agreement and new capital plan. Further, claims in relation to significant variation orders are also reviewed and approved together with the revised agreement.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, almost half of our contracts with clients provided for the payment of additional amounts to us as incentive payments under certain circumstances. If a contract includes an incentive payment, which may entitle us to receive an additional percentage of the contract value exclusive of such incentive payment (normally 2%) if we meet or exceed certain project milestones on our progress schedule, maintain a high service quality standard and do not have any health, safety or environmental incidents, we usually recognize at least a portion of the incentive payment as revenue on a monthly basis without confirming with the client (after we have reviewed the situation and concluded that we believe that we will be able to meet all the preconditions, if specified, for the incentive payment). The percentage of the incentive payment that we recognize monthly may be the same as the percentage of the non-incentive contract value that we recognize in the same month (meaning that the total available incentive payment under the contract would be multiplied by the same fraction of costs incurred divided by total budgeted cost that is used to calculate non-incentive contract revenue). However, in order to be conservative, we sometimes apply a discount to determine the amount of any incentive payment when we assess the relevant revenue earned in a particular period. We have in the past used a discount of 50% for the contract revenue we estimated to be collectible from the customer of the particular contract. To the extent that any incentive payment or portion thereof is confirmed to be payable to us by a contract client, we recognize such amount as revenue, to the extent that we have not already done so. Finally, if a contract contains an incentive payment provision but does not expressly set out the criteria for such payment, or where it is unclear to us that we will meet the incentive standards in a project contract, we normally do not recognize the revenue for any incentive payment until the point in time, generally toward the completion of the project, when we agree with our clients on the amount to which we are entitled.

In terms of our monthly or periodic billing management, our project engineers prepare a request for project progress confirmation, which, depending on the contract, is based on project milestones or is obtained periodically, that shows the amount to be paid by our clients on our ongoing projects in the current period, as well as the accumulated payments already made by such clients. Such requests for project progress confirmation are first approved by our project manager and are then delivered to our clients for review and confirmation or, if necessary, amendment or revision. Once a request is confirmed, a payment review and approval sheet is then prepared by our client and sent to us. Based on such confirmation, our client pays the appropriate amount to us according to the payment terms of the relevant contract.

### ***Internal control on cost overruns and cash flow mismatches***

In order to minimize cost overruns and cash flow mismatches, we implemented the following internal control procedures and processes between September 2005 and December 2011:

- We have formulated various measures for the management of costs and expenditures as well as the cash flow of our projects, including but not limited to

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the Rules on Project Cost Control, Rules on Company Budget Management, Rules on Management of Assets of the Group, Rules on Cash Flow Management, Rules on Cash Flow Plan, Rules on Project Income and Expenditure, Rules on Reporting of Project Costs, Rules on Settlement of Project Construction and Rules on Reimbursement;

- We hold quarterly meetings for analysis of our financial condition and operational results;
- The project departments submit monthly reports on project actual costs to our management for review. If our actual costs incurred exceed our budgeted costs, acknowledgement must be obtained from our senior vice president in charge of the project management department. With respect to our internal controls on our budgeted costs, see “—Internal Control on Revenue and Cost Recognition and Billing Management”;
- We prepare cash flow plans for our projects and our Group in the beginning of each month. Our project departments collect and make timely payments in accordance with our contracts based on our monthly cash flow plans to seek to ensure that we have adequate cash flows to fulfill the funding requirements of our projects; and
- Our risk control department organizes internal control reviews for our projects.

### ***Internal control on licenses and qualifications***

Generally, project owners will examine all bidders/licensing and qualification status as a fundamental requirement to tender any bid. Nevertheless, we have also taken measures to ensure our compliance with licensing requirements on an ongoing basis, which include engaging in large scale petrochemicals projects with reasonable profits, keeping and retaining qualified technicians, maintaining and procuring necessary construction machinery and proactively preparing for periodic inspections, if any, in accordance with the licensing requirements set forth in the relevant laws and regulations. Our vice president and general manager of our Henan branch office, Mr. Yang Zhimin, is responsible for monitoring our internal control system on licenses and qualifications. See “Directors, Senior Management and Employees—Senior Management” for his background and qualifications. To ensure that we have the appropriate licenses and qualifications, we have established a specialized department on licenses and qualifications headed by Mr. Yang with three designated staff members to take charge of the daily work in obtaining and maintaining various licenses and qualifications. These individuals produce monthly, quarterly and annual reports to monitor the status and renewal of such licenses and qualifications. To ensure that we are up to date in obtaining the latest licenses and qualifications, we also recruit and train qualified engineers, monitor requirements of any potential projects and strengthen our technological sophistication by conducting various technical development projects and participating in the formulation of various industry standards.

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### ***Internal control on investment and cash management***

We have established certain cash management policies to detail the procedures for our daily cash and bank transaction management, which include the policies and procedures of petty cash management, cash advance management, bank receipt and payment management, monthly cash flow planning and custody of company chops and checks. Further, we have formulated an investment policy to regulate our investment decision-making process, which covers the sub-processes of investment project initiation, investment evaluation, investment project approval and periodical monitoring of investment. This policy also requires management to retain sufficient records in relation to each investment decision to provide an adequate basis for our annual audit. Our Directors are responsible for our internal controls on investment and cash management. See “Directors, Senior Management and Employees—Directors” for their background and qualifications.

### ***Internal control on hedging transactions***

We have formulated the following hedging policy: (i) the personnel ultimately responsible for making investment decisions are our Directors who have the authority to approve hedging transactions; (ii) our Directors are responsible for organizing and conducting a risk assessment of the risks and benefits of entering into hedging transactions by considering various factors such as global economic conditions, the demand and supply of a commodity or currency and relevant currency policies; (iii) our general manager, manager office, finance department, risk management department, legal professionals and other related departments are required to provide support to our Directors in performing such risk assessment; (iv) the purpose of the hedging transactions should never be for speculation but should always be to hedge against exposure in underlying transactions; and (v) the amount of the hedging transactions should be sufficient to cover the exposure to risks in the underlying transaction but not more. Under the supervision of our Directors, the management of the relevant borrowing entity must review its monthly foreign exchange exposure and expected future cash flow, and report to our Directors any material issues identified or material fluctuation anticipated. During the three years ended December 31, 2011 and the six months ended June 30, 2012, we entered into two non-delivery foreign exchange forward contracts, dated April 29, 2010 and April 27, 2011, respectively. See “Financial Information—Indebtedness, Contractual Obligations and Other Off-Balance Sheet Arrangements—Off-Balance Sheet Arrangements—Non-delivery Foreign Exchange Forward Contracts” for detailed descriptions of these two hedging transactions.

## **OUR PROJECT TENDERING PROCESS**

Most of our major projects were awarded to us following our participation in a tendering process including public tender of open bids and invitational tender with multiple bidders. With respect to what types of projects are subject to public and invitational tender processes, see “Summary of PRC Laws and Regulations—Administration of Call for Tender and Submission of Bids”.

In order to prevent us and our personnel from violating relevant laws and regulations or being involved in collusion, our management has formulated project tendering work procedures and administrative provisions relating to project construction agreements to standardize our tendering process.

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In accordance with our project tendering work procedures and administrative provisions relating to project construction agreements, the following standard tendering processes have been adopted by us, and are conducted and coordinated by our commerce department throughout different stages of the tendering process.

### ***Pre-tendering preparation stage***

Our sales department liaises with other departments to evaluate the feasibility of a proposed project and initiate the evaluation of client requirements based on the information request list compiled by our commerce department. Site visits and sorting of collected information are also conducted at this stage.

### ***Evaluation of bidding risk***

In terms of managing the bidding risk, a bidding manager is responsible for arranging for a bidding risk analysis, pursuant to our provisions on early stage risk management for engineering projects. Each assigned professional is required to address: (i) the risks of bidding for the project, (ii) the likelihood of such risks materializing, (iii) what effect the risks may have on executing the project and (iv) measures that can be adopted to mitigate or counter the risks. The bidding manager is also required to compile and fill in a project risk evaluation and analysis form, identifying non-quantifiable risks such as risks concerning technologies, design, purchases, construction, processes, performance guarantees, exchange rates and payments. This form, once completed, is submitted to the deputy general manager.

### ***Preparing the tendering documents***

At this stage, our sales department fills in the evaluation record form of the client's product requirements and reports to the management team that decides whether to bid for the project, along with bidding strategies. If approved, our sales department fills in the notice on pre-launch of a project and sends it to our commerce department. Our commerce department then fills in the notice on project tasks and the tendering manager nomination form and submits the notice and the nomination form to the project management department. Our project management department then arranges for the participation of technical personnel in the project tendering process. Our commerce department is also responsible to appoint a commerce manager to the project, together with a technical team. They will discuss, draft and finalize the tendering proposal for our management's review. The reviewing management team includes, but is not limited to, the deputy general manager, manager of the design center, purchasing manager and head of project management. Our project tendering manager is also appointed at this stage by the company deputy general manager, based on the information provided in the tendering manager nomination form. The tendering proposal contains fundamental data and supportive details, which require high value input by our project management team at various stages. Our project tendering manager prepares a project risk assessment, which incorporates comments from the management and compliance staff for monitoring purposes and this risk assessment also provides the basis to establish contingent measures.



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### ***Vetting and presentation stage***

Upon the request of our clients, we prepare certain brief presentation documents consistent with the bidding procedures to introduce our past performance and project implementation plans.

### ***Conclusion stage***

Once the bidding process is finalized, and the results are known, our project manager prepares a summary of quotations on the tendering project for review and may call for the project tendering team and relevant personnel to review, analyze and summarize the bidding process. Once announced as the winning bidder, our commerce department gathers key departments to review and evaluate the proposed project contract. In accordance with the collective evaluation opinions, a contract engineer negotiates with the client to fine tune specific contract clauses. Upon agreeing on the terms of the contract, the relevant departments that were involved in the evaluation of the contract fill in the counter-signing form of the engineering project contract. The commerce department then formulates the approval form of the engineering project contract and submits it to the deputy general manager for his or her final approval. Once approved, our authorized agent signs the form, and then the form is handed to our legal representative or authorized agent with written authorization for our client to sign.

### ***Outlook***

As a result of the various public tender laws and regulations in the PRC, companies like PetroChina and Sinopec and their respective subsidiaries are required to call for tender on all aspects of projects relating to social and public benefits and public security, such as large scale infrastructure and public utilities projects in the PRC. Pursuant to the Tender Law of the PRC, any violation of the Tender Law involving the failure to call for a tender on a project where a tender process is obligatory may result in a penalty that is between 0.5% and 1% of the relevant contract value that should be subject to the tender process. In addition, if any state-owned funds are used for the relevant project, the construction process or the allocation of such funds may be suspended and sanctions may be imposed on people in charge of the project and any other people who are considered to be directly responsible for the project. As certain subsidiaries of PetroChina and Sinopec operate as EPC service providers to petrochemicals producers in China, PetroChina and Sinopec may prefer to utilize the services of their own subsidiaries to provide EPC solutions instead of us. Nevertheless, they must select their EPC contractors through public tender of open bids or invitational tender with multiple bidders, in compliance with PRC regulations. See “Risk Factors—Risks Relating to Our Business—We have a limited client base and may fail to secure further contracts from existing clients, or may fail to win contracts from new clients” for further details. Throughout the three years ended December 31, 2011 and up to the Latest Practicable Date, we continued to win bids from repeat clients, including PetroChina and Sinopec and their subsidiaries, which we believe were based on: (i) our focus on client satisfaction and a market-driven business model; (ii) our track record of providing timely and tailor-made solutions to our clients; (iii) our established and good working relationships with our existing clients; and (iv) our strong technology innovation capability coupled with our execution experience and ability to service the requirements of our existing clients. As such, our Directors anticipate that we should continue to obtain further EPC work from these companies

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for the foreseeable future. To further diversify our client base, we are seeking to: (i) strengthen our existing relationships with other clients, including CNOOC and BASF; (ii) further expand into other key sectors such as the broader petrochemicals industry (downstream from ethylene crackers and other petrochemicals), oil refineries and coal-to-chemicals; and (iii) expand into the international markets by (a) promoting our extensive experience and know-how in designing, engineering, construction management and use of proprietary technologies to reduce capital expenditures and partnering with other international engineering companies with complementing technologies to jointly tender bids for projects abroad and (b) engaging in marketing efforts to attract potential clients in Southeast Asia and the Middle East.

We engaged an independent internal control adviser through Wison Energy (HK) to conduct a review of Wison Engineering's internal controls over the tendering process, during the review period from January 1, 2011 to April 30, 2012. The internal control adviser has reviewed our established relevant duty segregations as well as our review and approval procedures for key sub-processes of the tendering process, which include tendering requisition, tendering document preparation, open tender process, bid document assessment and evaluation, and purchase order and/or purchase contract preparation and approval. Based on the said review, our internal control adviser has concluded that the internal controls over the tendering process implemented by Wison Engineering were effective, in all material respects, during the abovementioned review period.

During the three years ended December 31, 2011 and up to June 30, 2012, Wison Engineering obtained project contracts for 26 projects through tendering and bidding procedures. Our Directors confirm that we and our personnel have not been involved in any violation, collusion or circumvention of the laws and regulations concerning the tendering process during the three years ended December 31, 2011 and up to June 30, 2012. Our PRC legal advisers are also of the view that they are not aware of any violation of the relevant tendering and bidding laws and regulations by Wison Engineering in obtaining these projects during these periods.

### QUALITY ASSURANCE

We recognize the importance of quality assurance, as it can directly affect our profit margin as well as our reputation. Accordingly, we have established and implemented a quality assurance system. Our advanced and stringent quality assurance measures are adopted throughout each phase of our business operations.

We have published guidelines for the reference of our suppliers as to our requirements on quality and have established a system of qualifying suppliers for the purposes of our sourcing policy. In order to become a pre-approved qualified supplier, a supplier has to meet certain criteria with regards to production facilities and manufacturing capacity, financial strength, minimum sales volume for the most recent three years, product quality, pricing, reputation in the industry and availability of after-sales services.

For key materials and equipment, we inspect the production tools and equipment of suppliers, review the inspection and testing plan proposed by suppliers, and only permit production to begin once they have passed our inspection. We visit the production facilities of

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suppliers to monitor their monthly production progress briefings in accordance with the agreed upon inspection and testing plan. Our construction division staff oversee the progress and quality of the sub-contractors' work by carrying out on-site inspections.

We have also established internal quality assurance measures for our project-based work. Instead of designating a quality control division, our approach is to set up a stringent quality assurance system that requires a paper trail at each stage of project implementation, ensuring a clear path of responsibility among participants in each project and to have each project manager be responsible for the overall quality of projects under his care. In respect of our production of heat-resistant tubes and fittings, we place the same emphasis on quality assurance. As of June 30, 2012, we have 87 staff members in our quality assurance division who help implement various quality assurance and monitoring measures and ensure strict compliance with our quality assurance manual as well as production standards. Further, we regularly provide quality assurance training to our staff to ensure that they understand the importance of quality assurance in our business.

As a testament to our quality assurance efforts, below is a list of awards we have received in connection with our quality assurance system:

- In November 2010, Wison Engineering obtained the ISO 9001-2008 Quality Management System Certificate awarded by Det Norske Veritas for conforming to the management system standard in contracting management on EPC services for petrochemicals projects.
- In September 2010, Wison Engineering obtained the ISO 9001-2000 Management System Certificate awarded by Det Norske Veritas for contracting management on EPC services for petrochemicals projects.
- In July 2006, Wison Yangzhou obtained the ISO 9001-2000 Quality Management System Certificate awarded by the Shanghai Audit Centre of Quality Systems, which is valid for three years.
- In March 2006, Wison Engineering obtained the: (i) ISO/CD 14690—Safety Environment & Health Management System Certificate, Overall Contracting Qualification Grade One for Petrochemical Project Construction (only for ethylene plants) PMC; (ii) ISO14001:2004—Environmental Management System Certificate, Overall Contracting Qualification Grade One for Petrochemical Project Construction (for ethylene plants) PMC; and (iii) ISO14001:2004—Environmental Management System Certificate, Overall Contracting Qualification Grade One for Petrochemical Projects.

## RESEARCH AND DEVELOPMENT

We have in-house research and development capabilities. As of June 30, 2012, in addition to a number of technical specialists, we had 45 full-time staff members, with ten years of experience on average, engaging in research and development activities, including 22 master's degree holders and 13 bachelor's degree holders. In addition, many staff members in our design department also participate in various research and development activities. We also engaged part-time specialists who focus on coal-to-chemicals separation

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research and development, including five former professors from Tsinghua University and East China University of Science and Technology. See “Directors, Senior Management and Employees—Employees” for further details. Ms. Chen Huimei, a vice president of Wison Engineering and the general manager of the research and development center of Wison Engineering, is responsible for our research and development efforts. See “Directors, Senior Management and Employees—Senior Management” for her background and qualifications.

As an EPC solution provider, we stress the importance of technological innovation throughout our organization. Our dedication to learning and developing technological skills should also continue to enable us to foster long-term and close relationships with our clients. We have made our research and development efforts and skills acquisition integral parts of our organization and a part of the job description of all of our engineers and technicians. In addition, we also house a dedicated research and development team under the coal-to-chemicals development and industrial furnaces development divisions that focus on developing core technologies that could enhance our growth, including, but not limited to, researching and developing technologies relating to chemical engineering solutions and separation systems as well as gas catalytic and ethylene cracking furnace technologies. In particular, we have obtained a number of patents in relation to our HS-I, HS-II and HS-III technologies, including utilizing the venturi pipe structure to allow quench oil to quickly lower the furnace temperature and utilizing a radiant coil arrangement to induce more efficient heat transfer to extend the run length of a furnace. See “Appendix VI—Statutory and General Information—Further information about our business—Intellectual property rights of our Group” for a list of our registered patents and technologies under pending patent application.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, our dedicated expenditure on research and development amounted to RMB61.5 million, RMB116.7 million, RMB147.6 million and RMB50.2 million, respectively. Our research and development efforts have resulted in specific innovation in the areas of ethylene process integration technologies, coal-to-chemicals and efficient clean coal utilization technologies and energy saving technologies. See “—Our Key Strengths—Strong technology innovation capability”.

As the technology in the petrochemicals and coal-to-chemicals industries continues to develop, we are also committed to keeping ourselves abreast of the latest design development, available technology and know-how acquired from different projects. We participate in a number of industry organizations, such as China National Association of Engineering Consultants and China Exploration & Design Association and attend seminars on developments in the petrochemicals and coal-to-chemicals industries. In addition, we have also conducted joint research and development projects with leading universities and research institutes in China, among which: (i) a technical development agreement with the Beijing University of Chemical Technology on refining a low-temperature methanol wash solvent for a term of ten years starting from August 15, 2009; (ii) a technical service agreement with East China University of Science and Technology on developing an adiabatic reaction test device for the MTO process for a term of two years starting from June 22, 2009; (iii) a technical service agreement with East China University of Science and Technology on the development of an adiabatic bench scale test device for a term of one year starting from March 6, 2010; and (iv) a technical cooperation agreement with Tianjin University on refining the syngas-to-glycol process for a term of twenty years starting from May 19, 2011.

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We also actively seek opportunities to cooperate with internationally renowned companies on new technology development. In May 2012, Wison Engineering entered into a cooperation agreement with Shell Global Solutions to jointly research, develop and commercialize certain hybrid gasification technology on an exclusive basis (subject to certain limitations on exclusivity). See “—Intellectual Property Rights—Shell Hybrid Gasification Demonstration Project” below. The development of this technology is in line with the policy of the PRC government to encourage and support the “development of large-scale clean coal gasification technology” and industrial policy for the coal-to-chemicals industry. This technology has the potential of offering an environmentally sound solution for project owners to efficiently upgrade low-cost feedstock, such as coal, to more valuable products.

Because development in coal-to-chemicals technology can reduce China’s reliance on oil and petrochemical products, we believe strong growth can be expected in this sector. As a result, we have established the following research and development plans:

- Short-term plan: Within one to three years, we plan to develop or cooperatively develop competitive large scale coal-to-chemicals key technologies, including clean coal gasification, coal-to-olefins and coal-to-glycol processes and to achieve commercialization;
- Mid-term plan: Within three to five years, we plan to develop new technology of coal-to-synthetic natural gas and refine the methodology for more economical utilization of lignite; and
- Long-term plan: Within five to ten years, we plan to focus on developing new technologies or new products of converting coal to high value-added chemical products in order to expand our EPC business and seek new profit growth.

Our efforts in the area of research and development were recognized as evidenced by the awards and certifications set out under the heading “—Awards”. We also plan to further enhance our profile by applying for a national Class I Engineering Design Integrated Qualification certificate, even though we have already obtained the Class I Design Qualification. In addition, we intend to apply part of the proceeds from the Global Offering for research and development of our own proprietary technologies for a new generation of advanced ethylene cracking furnaces, and in the field of coal-to-chemicals separation.

### ***Research and development centers***

We are in the process of establishing a national research and development center in Shanghai. In addition to being our head research and development center, in order for our planned research and development center in Shanghai to be qualified as a “national” class research and development center, the planned research and development center will be evaluated on a number of factors, among which are that: (i) the investment costs for the research and development equipment must be no less than RMB20.0 million; (ii) the number of dedicated research and development staff must be no less than 150; and (iii) the annual research and development expenses must be no less than RMB15.0 million. We currently intend to apply for the “national” class accreditation in 2015 from the NDRC upon the establishment of the Shanghai research and development center. The award of such



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accreditation will depend on our Shanghai research and development center satisfying the requirements set by the NDRC.

We are also in the process of locating a building site for a new engineering, research and development center to be established in Beijing. Our Beijing engineering, research and development center will focus its research and development efforts on environmental friendly new materials and new energy technologies, including biomass energy technology. We intend to use a part of the proceeds of the Global Offering to pay for the construction and establishment of our research and development centers in Shanghai and Beijing.

### ***Design and engineering centers***

We have established three design and engineering centers located in Beijing, Shanghai and Zhengzhou. As of June 30, 2012, our Beijing, Shanghai and Zhengzhou design and engineering centers were staffed with 276, 216 and 104 design and engineering specialists, respectively. We have also started two additional design and engineering centers in Wuhan and Tianjin. As of June 30, 2012, our Wuhan design and engineering center was staffed with three pre-sale consultants and our Tianjin design and engineering center was staffed with 18 design and engineering specialists. We intend to expand our staffing in each of our Wuhan and Tianjin design and engineering centers in the next few months, depending on the availability of quality staff we can attract. We may also establish additional design and engineering centers in other selected cities in China. As of the Latest Practicable Date, we did not have any cities selected but our site selection criteria includes the number of potential clients in or around such cities and the availability of design talent in such cities. We intend to use a part of the proceeds of the Global Offering to pay for the remuneration of our newly recruited design staff, office leases and other administrative expenses.

## **INTELLECTUAL PROPERTY RIGHTS**

As of the Latest Practicable Date, we are the owner of 31 patent registrations and have 26 patent applications in the PRC. To the knowledge of our PRC legal advisers, the patent applications of Wison Engineering are legal and valid. Nevertheless, approval of such patent applications remains subject to review and determination by the State Intellectual Property Office of the PRC. Particulars of the intellectual property rights, which are material in relation to our business, are set out under “Appendix VI—Statutory and General Information—Further information about our business—Intellectual property rights of our Group”.

As we are required to disclose the full specifications of our technology when applying for a patent in return for protection of the patented technology for only a specified and limited duration, we have opted not to register certain technology that is highly confidential in nature.

Save for the aforesaid reasons and for certain proprietary technology that is not developed enough for registration, we have registered all our proprietary technology that is eligible for registration. For technology developed by us that has not been patented, we rely on confidentiality provisions in contracts with our clients to safeguard our interests.

Generally, project owners are aware of the technologies they use for their projects and the sources of such technologies. In addition, project owners and EPC service providers,



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such as ourselves, will typically conduct intellectual property risk analysis in the design and construction of the project and equipment selected. As a result, it is normal for project owners to enter into technology licensing agreements with owners of the identified technology. We generally also require our equipment suppliers and project owners to indemnify us for any losses due to infringement of third party intellectual property rights based on the engineering design given to us or equipment supplied. Nevertheless, we cannot assure you that we will not be subject to intellectual property infringement claims. See “Risk Factors—Risks Relating to Our Business—Infringement of intellectual property rights can adversely affect our reputation and profitability”.

We were not subject to any claims in connection with infringement of intellectual property rights nor did we make any claims against any third parties during the three years ended December 31, 2011 and up to June 30, 2012.

We have entered into confidentiality agreements with all of our employees to safeguard our interests in our intellectual property rights. We also routinely request confidentiality provisions in our agreements with our suppliers, construction sub-contractors and research partners.

### ***Shell Hybrid Gasification Demonstration Project***

On May 30, 2012, Wison Engineering entered into a cooperation agreement for coal gasification technology with Shell Global Solutions (the “Shell Cooperation Agreement”). The cooperation efforts will combine Shell Global Solutions’ expertise in coal gasification technology with our proprietary knowledge and expertise. Pursuant to the Shell Cooperation Agreement, Wison Engineering will actively support the development and licensing by Shell of the Shell coal gasification process (the “SCGP”) and certain hybrid gasification technology, as modified by the results from a demonstration project (as so modified, the “HGT”). As of August 2012, Shell Global Solutions had executed 19 technology license agreements with various customers for the application of its coal gasification technology into 23 coal gasification furnaces in China, among which 20 coal gasification furnaces, or 87.0% of these, have been put into operation. Nevertheless, Shell Global Solutions’ hybrid coal gasification technology is still in the validity demonstration stage and therefore is subject to occasional setbacks that could disrupt production processes resulting in lower yields to facilities than anticipated. Wison Engineering and Shell Global Solutions also agreed to commercialize the HGT and grant each other the necessary rights and licenses relating to their respective intellectual property, and to support Shell Global Solutions in finding a partner to demonstrate and evaluate the same (the “Demo Project”). Wison Engineering will inform Shell Global Solutions of all potential projects that it becomes aware of where HGT could be applied, so that Shell Global Solutions may in its discretion offer a license for HGT to the prospective licensees. Shell Global Solutions will also inform Wison Engineering of all potential projects that it becomes aware of involving HGT where Wison Engineering’s services could be used, so that Wison Engineering may in its discretion offer its detailed engineering and other EPC services. The Shell Cooperation Agreement is for an initial term of nine years from its execution date (i.e. May 30, 2012), after which it will be tacitly renewed for one year on each anniversary of its execution date (i.e. May 30), and may be terminated (i) by written notice served by either party to the other at least six months prior to a tacit renewal date or (ii) by an aggrieved party at liberty by giving 30 days’ notice in writing to the other who becomes

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insolvent or is in default of any of its material obligations under the Shell Cooperation Agreement and has failed to make good and/or to indemnify the aggrieved party for such default or reach an alternative solution with the aggrieved party within 60 days after the party in default has received notice from the aggrieved party requiring the party in default to make good and/or to indemnify the aggrieved party for such default, and, unless the party in default has referred the matter to arbitration before expiry of the 60 days, upon expiry of the 60 days and without reference to arbitration.

The Shell Cooperation Agreement provides that for projects other than the Demo Project, the total net licensing income received from licensees of the HGT will be shared on an equal basis between Wison Engineering and Shell Global Solutions, provided that Wison Engineering and Shell Global Solutions will each contribute 10% of the total net licensing income as licensing support and service fees for performing the licensing activities. In consideration of the split of responsibilities in licensing activities within and outside China, as the compensation for such licensing support and services, Shell Global Solutions will be entitled to 15% and Wison Engineering to 5% of the net licensing income received from transactions within China, whereas Shell Global Solutions will be entitled to the full 20% of the net licensing income received from transactions outside China. As of the Latest Practicable Date, we have not been appointed as a contractor by a licensee (other than the licensee in connection with the Demo Plant as described below).

Wison Engineering has been selected as the engineering contractor by the owner of the plant for the Demo Project (the "Demo Plant") in relation to the Demo Project and the operation of the Demo Plant afterwards, and Wison Engineering and Shell Global Solutions are or will become joint proprietors of the patents and any other intellectual property rights in the results and improvements from the Demo Project and the operation of the Demo Plant afterwards, in accordance with the Shell Cooperation Agreement.

Shell Global Solutions will recommend Wison Engineering to relevant licensees in respect of the hybrid technology projects on the basis of any directly relevant experience of Wison Engineering as an EPC contractor, but the relevant licensees will retain the right to make the final decision in choosing an EPC contractor. In addition, Shell Global Solutions undertakes to engage Wison Engineering exclusively to prepare part of the basic design and engineering packages (the "BDEP") to be delivered to relevant licensees for the hybrid technology projects in China, wherever and whenever possible and for a period of six years from the date of the Shell Cooperation Agreement, subject to applicable competition law. In the event of preparation of the BDEP for hybrid technology projects outside China, Shell Global Solutions has further agreed to inform relevant licensees that Wison Engineering is an appropriate contractor. Moreover, Shell Global Solutions has undertaken to engage Wison Engineering exclusively to prepare part of the BDEP for plants using the SCGP and the top quench technologies of Shell Global Solutions in China, wherever and whenever possible, to the extent permissible under applicable competition law, from a date at least one year after execution of the Shell Cooperation Agreement.

## COMPETITION

We believe there are a limited number of domestic solution providers that operate within the EPC framework for conducting design-building and renovation projects for

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petrochemicals producers and oil refineries in the PRC. Our major competitors are engineering subsidiaries of PetroChina and Sinopec such as Huanqiu and SEI, respectively. See “—Our Clients”.

With our in-depth knowledge of the relevant technologies and our ability to provide specialized and professional services to many ethylene producers, we believe we have a competitive advantage compared to petrochemicals producers’ subsidiaries undertaking design-building and renovation work for their ethylene cracking furnaces and production facilities. Not only can our clients reduce capital expenditures on construction machinery and equipment and the manpower required to undertake these tasks, they can also employ appropriate technologies and services and have the comfort that the risks associated with design-building and renovating their processing systems, such as poor construction quality, delays or cost overruns, are shifted to us.

We believe that we currently enjoy various competitive advantages compared to other domestic solution providers, including, among others, our early-mover advantage, our expertise and experience in the petrochemicals industry, our competitive cost structure and our well-established network of business partners as described under the heading “—Our Key Strengths—Established network and close relationships with raw materials and equipment suppliers and construction sub-contractors”.

Although we also work with sub-contractors that are subsidiaries of PetroChina and Sinopec, these sub-contractors specialize in the areas of design or construction work, and we believe these sub-contractors are independently operated enterprises from those PetroChina and Sinopec subsidiaries that are EPC service providers. Our sub-contractors that do not act as EPC service providers do not compete with us in this regard.

As our major competitors operate as EPC service providers to petrochemicals producers in China, PetroChina and Sinopec can choose to utilize the services of their own subsidiaries to provide EPC services instead of ours (particularly if such subsidiaries expand their respective EPC total solutions businesses). Further, we could face increased competition from overseas solutions providers that could have greater experience in the industry as well as greater financial resources or could make strategic investments in or form partnerships with domestic EPC service providers. Nevertheless, given our accumulated experience in the industry, high quality of services and track record, we believe we are well positioned to continue to appeal to producers in the PRC petrochemicals and oil refining industries. We also believe that our understanding of the culture and practices of the local market, as well as our local procurement network and relationship with sub-contractors, should help us compete with our foreign counterparts.

Unlike China’s petrochemicals and oil refining industries, which are dominated by a small number of state-owned enterprises, China’s coal-to-chemicals industry is more fragmented than the other industries in which we operate and comprises several privately-owned businesses, which we believe to have more limited project experience and resources, as well as several state-owned enterprises. We believe that in the future China’s coal-to-chemicals producers will have greater needs for EPC service providers with a broad range of service capabilities across the engineering, procurement and construction management spectrum. As a result, we believe our ability to provide turnkey services from

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market research, feasibility studies, project development, staff training, design, engineering, procurement, construction management, maintenance and post-sale technical support will assist in generating greater client interest that could lead to further work in the coal-to-chemicals industry and help us diversify our sources of revenue.

As our major clients and sub-contractors are related parties of our key competitors, depending on the nature of the contracts and whether know-how and technology are involved, most of the contracts we enter into with our clients and sub-contractors include a confidentiality clause for the protection of our know-how and technology and prevention of any leakage of our technology and expertise to our competitors.

### AWARDS

We have received various awards, honors and recognitions for our products and services, including:

1. On December 1, 2008, we received Third Prize on “technology development and applications for ethylene cracking furnaces” from Shanghai Municipal People’s Government.
2. In October 2009, we received the certificate for “2009 China’s chemical industry innovation business model enterprise” from China Petroleum and Chemical Industry Federation.
3. On September 28, 2010, we received the award for outstanding energy saving contribution from CCECTA for our renovation of a quench oil viscosity reducing system for ethylene units of PetroChina Daqing by using our “advanced quench oil viscosity reducing technology”.
4. On September 29, 2010, we received the award for outstanding energy saving design from China Petroleum and Chemical Industry Energy Conservation Association for our “energy saving technology on the coal-to-methanol process”.
5. In December 2011, we received the Jin Gang Award for 2011 Excellent Metal Construction Project from the Shanghai Metal Structure Industry Association for the PetroChina Fushun Ethylene 800kta Plant PC Project.

### ENVIRONMENTAL MATTERS

Matters relating to environmental protection are generally provided for in our project-based contracts we enter into with our clients and sub-contractors. In order to ensure compliance with the applicable environmental protection laws and policies and avoid potential future environmental risks, we have procedures, rules and guidelines in place that are prepared and implemented by our quality management and a health safety environment (HSE) department staffed with engineers possessing managerial experience in petrochemicals and related project work. In each of the projects we undertake, consideration is placed on the effect of the construction process on the environment, including, but not limited to, the effect of dust, noise and light during the construction process, industrial and human waste production, other potential pollution on surface and underground water,

including erosion, and effects on nearby cultural relics, if any. The management procedures and rules we formulated are contained in our work manual under the following titles: the Laws and Regulations and Other Required Management Procedures, Management Rules on Dangerous Chemicals, Management Rules on Solid Waste, Waste Gas and Waste Water, Management Rules on Heat, Dust and Noise, Management Rules on Emergency Measures and Responses. In addition, we have also adopted a procedure called the Identification and Evaluation of Environmental Elements so as to minimize the occurrence of potential environmental hazards. Our goal is to limit potential impact on the environment in all phases of our projects, from formulating a project construction process that could minimize its environmental impact, and selecting equipment and raw materials used in a project and methods of transporting them to the project site with minimal environmental impact and pollution control during the construction phase. As we may be held liable for the non-compliance of our construction sub-contractors with any environmental regulation, we actively provide guidance and monitor our construction sub-contractors to ensure they follow the procedures and rules we formulate and are otherwise in compliance with the applicable environmental regulations. In particular, we normally identify the items to be inspected for each project to ensure compliance with applicable environmental regulations and inspect these items from time to time throughout the construction process. We also maintain a written record for each inspection. In the event that we find any weakness or possible non-compliance during our inspection, we give specific instructions and deadlines to our construction sub-contractors on how to take remedial actions. We closely supervise the remedial actions of our construction sub-contractors until they meet the regulatory requirements.

During its manufacturing process, Wison Yangzhou does not discharge gas pollutants, such as sulfur dioxide, soot or industrial dust; only waste water, which is deposited and filtered in an oil separation tank, then pumped into the pipeline network in Hanjiang Industrial Zone, and finally enters the waste water treatment plant. Wison Yangzhou has obtained the Pollutants Discharge Permit—Yang Han Huan (Wu) No. 321003032 dated January 19, 2011 issued by the Environmental Protection Administration of Hanjiang District, Yangzhou.

On October 16, 2012, the Environmental Protection Bureau of Hanjiang District, Yangzhou City issued the “Certificate of the Environmental Protection Conditions”, which stated that, since January 1, 2008 and up to the date of such certificate, Wison Yangzhou (i) had implemented the measures required by all applicable laws, rules and regulations in relation to environmental protection during the course of its business, (ii) had not breached any environmental laws or regulations and (iii) had not been subject to any penalty by the bureau as a result of a violation of the laws or regulations in relation to environmental protection. Our PRC legal advisers are of the view that the Environmental Protection Bureau in Hanjiang District, Yangzhou is the relevant and competent authority to issue such certificate of compliance.

On October 23, 2012, the Environmental Protection and City Sanitation Management Bureau of Pudong New Area, Shanghai issued the “Certificate of no administrative penalty of environmental protection”, which stated that since January 1, 2009 and up to the date of such certificate, Wison Engineering had not been subject to any administrative penalty in connection with environmental protection by the bureau. Our PRC legal advisers are of the view that the Environmental Protection and City Sanitation Management Bureau of Pudong New Area, Shanghai is the relevant and competent authority to issue such certificate of compliance.



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Our PRC legal advisers are of the view that the production and operation activities of Wison Engineering and Wison Yangzhou are in compliance with the requirements of the national laws and regulations in relation to environmental protection. Our PRC legal advisers have also advised that Wison Engineering and Wison Yangzhou have obtained all necessary environmental permits and approvals in respect of their business. Wison Engineering and Wison Yangzhou have not encountered any pollution incidents, violated any environmental laws or regulations, or been subjected to any administrative sanctions from environmental protection authorities during the three years ended December 31, 2011 and the six months ended June 30, 2012. No administrative penalty arising from any violation of relevant environmental protection regulations was imposed on Wison Engineering or Wison Yangzhou during the three years ended December 31, 2011 and the six months ended June 30, 2012. See “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Environmental Protection”.

Pursuant to the Construction Law of the PRC, the overall contractor and relevant sub-contractor of a project are jointly and severally liable for the relevant subcontracted construction project. Pursuant to the Civil Law of the PRC, any debtor with joint and several liability for a debt that is due and payable must pay the full amount of the debt, and may then seek proportionate indemnification from any other person who bears joint and several liability for that debt. Our PRC legal advisers are of the view that, pursuant to PRC laws and regulations, in the event any sub-contractors of Wison Engineering violates the relevant PRC environment protection laws and regulations in carrying out a sub-contracted project from Wison Engineering, Wison Engineering will be entitled to seek compensation from such sub-contractors if Wison Engineering incurs any liability or suffers any loss as a result of such sub-contractors’ non-compliance with relevant PRC environment protection laws and regulations in carrying out the sub-contracted projects.

Generally, costs of our environmental compliance obligations are included as a part of our project costs. For the years ended December 31, 2009, 2010, 2011 and the six months ended June 30, 2012, we incurred approximately RMB0.9 million, RMB1.2 million, RMB1.2 million and RMB0.5 million, respectively, as separate, itemized, health, safety and environmental expenses outside of our project costs. We estimate that we have incurred approximately RMB0.6 million in respect of our separate, itemized, health, safety and environmental expenses outside of project costs for the period between June 30, 2012 and the Latest Practicable Date.

### HEALTH AND SAFETY

We are dedicated to the implementation of health and safety procedures to ensure a safe working environment at our offices and worksites and that the work undertaken by us does not pose any danger to the general public. We have implemented a health and safety management system at our offices and at construction sites. In particular, we provide intensive training programs for the management personnel of our construction sub-contractors to improve their safety awareness, allocate full-time safety engineers to supervise the construction process and monitor high risk sites to ensure each phase of the construction is monitored for safety. We also conduct daily inspections, weekly evaluations and give monthly awards to motivate our staff to operate safely. We have also prepared a series of management handbooks and procedures on relevant laws and regulations, as well as training



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procedures on occupational health and safety in order to ensure compliance by our staff members with the applicable laws and policies and to avoid potential accidents. See “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Work Safety” for the relevant laws and regulations.

Wison Engineering has set up a comprehensive set of operational standards that are in compliance or exceed the requirements of relevant regulations in respect of labor, health, safety and insurance. During the three years ended December 31, 2011 and the six months ended June 30, 2012, neither Wison Engineering nor Wison Yangzhou was sanctioned by any relevant regulatory authorities for breaches of any relevant regulations in respect of labor, health and safety.

On October 17, 2012, the Production Safety Supervision Bureau of Pudong New Area, Shanghai issued a certificate, stating that: (i) since January 1, 2008 and up to the date of such certificate, Wison Engineering had been in compliance with all applicable laws and regulations regarding production safety, and met the requirements of production safety; (ii) no safety production accidents had occurred due to the fault of Wison Engineering; and (iii) Wison Engineering had not been punished by the production safety supervision bureau for any breach of laws and regulations regarding production safety. Our PRC legal advisers are of the view that the Production Safety Supervision Bureau of Pudong New Area, Shanghai is the relevant and competent authority to issue such certificate of compliance.

On October 16, 2012, the Production Safety Supervision Bureau of Hanjiang District, Yangzhou issued a certificate stating that: (i) since January 1, 2008 and up to the date of such certificate, Wison Yangzhou had been in compliance with all laws and regulations and met the requirements of production safety; (ii) no production safety accidents had occurred due to the fault of Wison Yangzhou; and (iii) Wison Yangzhou had not been punished by Production Safety Supervision Bureau of Hanjiang District, Yangzhou for any breach of laws and regulations regarding production safety. Our PRC legal advisers are of the view that the Production Safety Supervision Bureau of Hanjiang District, Yangzhou is the relevant and competent authority to issue such certificate of compliance.

Our PRC legal advisers are of the view that the production and operation activities of Wison Engineering and Wison Yangzhou are in compliance with the requirements of the national laws and regulations in relation to production safety. No administrative penalty arising from violation of relevant production safety regulations was imposed on Wison Engineering or Wison Yangzhou during the three years ended December 31, 2011 and the six months ended June 30, 2012.

We have complied with the relevant production safety laws or regulations in the past and our production facilities complied with the laws and regulations applicable to petrochemicals products manufacturers in China during the three years ended December 31, 2011 and the six months ended June 30, 2012. See “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Work Safety”.

## INSURANCE

We have taken out the following insurance policies for our employees who are based in Shanghai and Yangzhou: (i) statutory welfare insurance policies to cover medical

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insurance, pension insurance, unemployment insurance, working injury insurance and maternity insurance; (ii) group insurance for accidents and injuries; and (iii) insurance for employers' liabilities. We also maintain insurance coverage for damage to our vehicles and for certain of our properties. We are not required under the current laws of the PRC to, and have not, maintained any property insurance, public liability insurance, product or service liability insurance, business interruption insurance or any third party liability insurance to cover claims, suits or complaints incidental to our business. Our Directors are of the view that our insurance coverage is currently adequate and consistent with industry practice and standards in the PRC.

### PROPERTY INTERESTS

As of the date of the property valuation report, we owned, occupied and rented the properties as set out below.

#### Properties held and occupied in China

We own a parcel of land, eight buildings and various ancillary structures at No. 1399 Zhangheng Road, Pudong New Area, Shanghai, the PRC. The site area of the land is approximately 20,000 sq.m. and the total gross floor area of the buildings is approximately 25,690 sq.m. The property is currently occupied by us for office and production purposes except for a portion of four buildings that are leased to some of our connected parties for office and industrial use. Construction of the first and second phases of our buildings in Shanghai was completed in 2004 and 2006, respectively. We mortgaged the aforesaid properties to Agricultural Bank of China Shanghai Jinqiao Branch as collateral for debts up to a maximum amount of RMB190 million in total, the duration of which is between April 13, 2010 and April 12, 2013, for RMB100 million; and, between July 21, 2010 and July 20, 2013, for RMB90 million, respectively.

We own a parcel of land at Lot No. B-3-6 and seven buildings under construction at No. 699 Zhong Ke Road, Pudong New Area, Shanghai, the PRC. The site area of the land is approximately 43,044 sq.m. This parcel of land is currently being used for the construction and establishment of a national research and development center in Shanghai.

We own three parcels of land, 11 buildings and structures located at Hanjiang Industry Park, Yangzhou City, Jiangsu Province, the PRC. The total site area of the land is approximately 97,790 sq.m. and the total gross floor area of the buildings is approximately 29,145 sq.m. The property is currently occupied by us for manufacturing and production purposes. The construction of our manufacturing plant in Yangzhou was completed between 2005 and 2006, respectively.

We own Units 2601 to 2604 and Units 2701 to 2704 on Levels 26 and 27, SunCo First International Building, No.14 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC. The total gross floor area of these real estate properties is approximately 2,398 sq.m. These office units were purchased by us in 2008 and are currently occupied by us for office purposes.

We also own an office unit at Unit 3901, Tower 4, Beijing Fortune Center, No.7 East 3<sup>rd</sup> Ring Middle Road, Chaoyang District, Beijing, the PRC. The apportioned site area of the

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land is approximately 93 sq.m. and the gross floor area of the office unit is approximately 677 sq.m. The construction was completed in 2005.

A gatehouse on the parcels of land in Yangzhou City with a gross floor area of approximately 30 sq.m. has not been granted a Building Ownership Certificate. As Wison Yangzhou has not obtained the approval from the relevant government authorities for the construction of the gatehouse, our PRC legal advisers are of the view that, pursuant to the relevant laws and regulations, Wison Yangzhou may be subject to a maximum penalty of: (i) being required to dismantle the gatehouse within a prescribed time; and (ii) a fine of no more than 10% of the construction cost of the gatehouse, which we estimate to be approximately RMB4,100. The gatehouse is not directly related to the production operation of Wison Yangzhou, its size is relatively small (i.e. approximately 0.1% of the total area of the buildings owned by Wison Yangzhou) and the relocation cost is estimated to be no more than RMB10,000. Our PRC legal advisers are of the view that the absence of title certificates for the gatehouse will not have a material adverse effect on our business.

Our Directors are of the view that the gatehouse without the Building Ownership Certificate is not crucial to our operations and the cost of relocation would not be very high. If we are forced to vacate the gatehouse, we can readily use the premises of Wison Yangzhou for the gatehouse purpose. Our Directors are of the view that, in such an event, the impact on our business, results of operations and financial condition would be minimal.

Our PRC legal advisers are of the view that, except for the aforesaid gatehouse and subject to the mortgages as disclosed herein, Wison Engineering and Wison Yangzhou have legal and valid right to own, occupy, rent, transfer, mortgage, sell and use the lands and buildings set out above.

Save for the above, we have obtained all the relevant land use right certificates, building ownership certificates and title certificates for all of our property interests owned or held in the PRC.

For details of the properties owned by us in the PRC, as well as our property interests, see the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuation firm, in Appendix III.

### **Properties rented and occupied in China**

We rent an office unit on Level 4, Block 2 Tower 1, No.88 Cailun Road, Pudong New Area, Shanghai, the PRC. The total gross floor area of this unit is approximately 300 sq.m.

We rent Unit 103 on Level 1 and Units 401, 403 and 404 on Level 4, Changxing Tower, No.888 Bibo Road, Pudong New Area, Shanghai, the PRC, the gross floor area of which is approximately 3,255 sq.m.

We rent Units 801, 802 and 806 on Level 8, Levels 9 and 10, Tower 1, Recreo International Center, No. 8 East Wangjing Road, Chaoyang District, Beijing, the PRC. The total gross floor area of these 15 office units is approximately 4,972 sq.m.

We rent a unit on Level 3, No.1 the western side of Chenggou Bridge, Zhangdian Street, Dongzhou District, Fushun City, Liaoning Province, the PRC, the gross floor area of which is approximately 130 sq.m.

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We rent a unit on level 1 located at No.199 South Street, Tianpeng Town, Pengzhou City, Chengdu City, Sichuan Province, the PRC, the gross floor area of which is approximately 24 sq.m.

We rent Unit No. 1 on Level 7 of Building B2, Area B, Phase 4.1 of Software Park of Optic Valley, Donghu New & High Technology Development Zone, Wuhan City, Hubei Province, the PRC, the gross floor area of which is approximately 373 sq.m.

We rent Units 601 to 608 and 903 to 906 of Fuli Yingli Building, Building No.10, Tianshan Yuan of Fuli City, Western side of Xima Road, Nankai District, Tianjin, the PRC, the gross floor area of which is approximately 2,050 sq.m.

The tenancy agreements for the properties set out above have not been registered and filed with the local authorities. As advised by our PRC legal advisers, the validity of such tenancy agreements is not subject to their registration and filing pursuant to relevant PRC laws, and the absence of tenancy registration and filing will not have a material adverse impact on the leasing and occupation of these buildings by Wison Engineering. Our Directors are of the view that the impact on our business, results of operations and financial condition would therefore be minimal.

### **Properties rented and occupied in Hong Kong**

We rent an office unit located at Room 5007, 50th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, the gross floor area of which is approximately 2,812 sq.ft.

Mr. Hua and Wison Holding have (pursuant to the deed of indemnity referred to in “Appendix VI—Further information about our business—Summary of material contracts”) given joint and several indemnities to our Group in connection with, among other things, property liabilities, in connection with any property claims or third party claims arising out of (i) any breach or non-compliance by any user and/or breach or non-compliance of other terms, conditions, covenants, restrictions of the relevant agreement (including, but not limited to, any mortgage, legal charge and tenancy agreement) or of any land use right, sale and purchase agreement or holding of any defective real estate title certificate or any other title documents in respect of any property or (ii) any eviction of our subsidiaries from any property for any reason whatsoever by any government authority or any third party (see “Appendix VI—Other information—Tax and other indemnities”).

### **Our planned research and development center in Shanghai**

We plan to construct and establish a national research and development center in Shanghai. See “—Research and Development—Research and development centers”. Wison Engineering entered into a contract on January 8, 2009 with Shanghai Zhangjiang (Group) Co., Ltd. in relation to the acquisition of a parcel of land for a price of approximately RMB176.0 million, excluding related taxes, for the planned construction of the research and development center. In this agreement, the completion of the land title transfer is subject to the satisfaction of certain conditions, including the completion of at least 25% of the construction and receipt of relevant government approvals. The land title transfer has been completed and we obtained the certificate of real estate ownership for holding relevant land use rights from the Shanghai Housing Security and Administration Bureau and the Shanghai

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Planning, Land and Resources Administration Bureau on March 1, 2012. Prior to the acquisition of the land, Shanghai Zhangjiang held the relevant land use rights. The construction of our new research and development center began in June 2011 and is expected to be completed by May 2013. As of the Latest Practicable Date, we have almost completed the construction of its main buildings. The total budget for the construction is approximately RMB1.2 billion, including the acquisition price for the land. The scope of research to be conducted on this site includes the development of large scale coal-to-chemicals key technologies.

### **Material property analysis**

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, has confirmed that the proportion of carrying amount of all the properties held by us is very small compared to our total assets, except for a property under construction located at No. 699 Zhongke Road, Pudong New Area, Shanghai, PRC. Apart from the property under construction, none of our properties has a carrying amount that will be over 15% of our total assets until completion. Please refer to property No. 4 in Appendix III for details. Moreover, no property contributes a significant portion of our revenue. Except for the mortgage of a property located at No. 1399 Zhangheng Road, Pudong New Area, Shanghai, PRC with a total maximum amount of RMB190 million, Jones Lang LaSalle Corporate Appraisal and Advisory Limited has not found any other encumbrances, liens, pledges or mortgages against any property or use of property that may impact our operations. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is of the view that except for the property under construction located in Shanghai, we do not hold any material property.

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The table below shows a summary of the property interests rented and occupied by us that are not covered in Appendix III:

No.	Use and name/brief description of the property	Gross floor area/Leasable area (sq.m.) of the property	Number of units of the property	Lessor	Lessee	Terms of tenure (year of leasehold expiry)	Average effective rent (as required under Listing Rule 5.06(2))
1	A unit on Level 4 Block 2 Tower 1 No. 88 Cailun Road Pudong New Area Shanghai The PRC	300.00	1	Shanghai NGS Group Changzheng Co., Pudong Branch	Wilson Engineering	commencing from July 1, 2011 and expiring on June 30, 2013	annual rent of RMB129,600
2	Unit 103 on Level 1 and Units 401, 403 and 404 on Level 4 Changxing Tower No. 888 Bibo Road Pudong New Area Shanghai The PRC	3,255.33	4	Shanghai Changxing Intelligent System Co., Ltd.	Wilson Engineering	commencing from May 1, 2011 and expiring on April 30, 2013	annual rent of RMB4,515,144
3	Units 801, 802 and 806 on Level 8 Levels 9 and 10 Tower 1 Recre International Center No. 8 East Wangjing Road Chaoyang District Beijing The PRC	4,971.69	15	Beijing Recre Holding Group Co., Ltd.	Wilson Engineering Beijing Branch	commencing from November 26, 2011 and expiring on November 25, 2014	monthly rent of RMB606,546.18
4	A unit on Level 1 No. 199 South Street Tianpeng Town Pengzhou City Chengdu City Sichuan Province The PRC	24.00	1	Dinghong He	Wilson Engineering Chengdu Branch	commencing from February 14, 2012 and expiring on February 13, 2015	monthly rent of RMB3,500



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No.	Use and name/brief description of the property	Gross floor area/Leasable area (sq.m.) of the property	Number of units of the property	Lessor	Lessee	Terms of tenure (year of leasehold expiry)	Average effective rent (as required under Listing Rule 5.06(2))
5	A unit on Level 3 No. 1 the western side of Chenggou Bridge Zhangdian Street Dongzhou District Fushun City Liaoning Province The PRC	130.00	1	Synthetic Detergent Factory of PetroChina Fushun	Wilson Engineering Fushun Branch	commencing from January 1, 2011 and expiring on December 31, 2015	monthly rent of RMB13,000
6	Unit No.1 on Level 7 Building B2, Area B Phase 4.1 Software Park of Optic Valley Donghu New & High Technology Development Zone Wuhan City Hubei Province The PRC	372.81	1	Nan Yang	Wilson Engineering	commencing from January 1, 2012 and expiring on December 31, 2014	monthly rent of RMB18,640.5
7	Units 903 to 906 Fuli Yingli Building Building No.10 Tiankang Yuan of Fuli City Western side of Xima Road Nankai District Tianjin The PRC	781.81	4	Yinhai Li	Wilson Engineering	commencing from October 9, 2012 and expiring on April 8, 2014	annual rent of RMB1,068,732
8	Units 601 to 608 Fuli Yingli Building Building No.10 Tiankang Yuan of Fuli City Western side of Xima Road Nankai District Tianjin The PRC	1,267.76	8	Langfang Development Zone Dazheng Zinc Industry Co., Ltd.	Wilson Engineering	commencing from September 1, 2012 and expiring on August 31, 2014	annual rent of RMB1,574,302.2

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No.	Use and name/brief description of the property	Gross floor area/Leasable area (sq.m.) of the property	Number of units of the property	Lessor	Lessee	Terms of tenure (year of leasehold expiry)	Average effective rent (as required under Listing Rule 5.06(2))
9	Suite 5007 50th Floor Central Plaza No.18 Harbour Road Wanchai Hong Kong.	2,812 sq.ft	1	Central Plaza Management Company Limited	Wilson Energy (HK)	commencing from January 3, 2012 and expiring on January 2, 2015	monthly rent of HK\$201,058
10	7th Floor International Financial Centre Jalan Jendral Sudirman Kav.22-23 Jakarta 12920 Indonesia	102.43	1	PT Kepland Investama	Wilson Engineering	commencing from July 15, 2011 and expiring on July 14, 2014	monthly rent of approximately Rp.80,000 per sq.m.
11	Villa BOSPAD#01 Eurovillage Compound P. O. Box 691 Dhahran Airport 31932 Saudi Arabia	130.00	1	Euro Village Compound	Branch Of Wilson Engineering	commencing on March 5, 2012 and expiring on March 4, 2013	annual rental of S.R.250,000
12	Al jarbou Tower Al Dhahran Street Al khobar Saudi Arabia	182.87	1	Mohammed R.Al garboo	Branch of Wilson Engineering	commencing on August 1, 2011 and expiring on July 30, 2013	annual rental of S.R.164,583

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### LEGAL AND COMPLIANCE

As of the Latest Practicable Date, we were not involved in any material litigation, arbitration or administrative proceedings that could have a material adverse effect on our business, financial condition or results of operations.

Wiscon Energy (HK) inadvertently failed to comply fully with the Companies Ordinance by failing to lay audited accounts for the year ended December 31, 2009 before its annual general meeting, which was a non-compliance under section 122 of the Companies Ordinance (the “Non-compliance”). The Non-compliance was a result of inadvertent oversight by the directors of Wiscon Energy (HK), who were not familiar with the detailed statutory requirements and were not alerted to the need to prepare timely accounts and hold an annual general meeting of Wiscon Energy (HK). To rectify the Non-compliance, Wiscon Energy (HK) filed an application with the High Court of Hong Kong, Court of First Instance (the “Court”) to seek relief under section 122(1B) of the Companies Ordinance and to comply with the law. The Court allowed the application and by a court order (the “Order”) dated November 10, 2011, the Court ordered that leave be granted to substitute the requirement in section 122(1) of the Companies Ordinance to lay the audited accounts before Wiscon Energy (HK) at its annual general meeting with respect to the periods from January 1, 2009 to December 31, 2009 by laying such accounts before Wiscon Energy (HK) by resolutions in writing signed by all the shareholders dated October 18, 2011 pursuant to section 116B of the Companies Ordinance and article 65(a) of the articles of association of Wiscon Energy (HK) in lieu of a general meeting.

Going forward, as preventive measures, the board of directors of Wiscon Energy (HK) will work closely with its auditors and company secretary to ensure compliance with the statutory requirements under the Companies Ordinance. Monthly management meetings will be held to review the affairs of our Group, including, but not limited to, compliance matters. After the Listing, independent non-executive Directors with professional knowledge will be appointed to advise the Board on compliance matters and an audit committee will be formed to oversee the financial reporting and internal control procedures of our Group to ensure compliance with regulatory matters and enhance corporate governance.

With the Order granted by the court pursuant to the Companies Ordinance and Wiscon Energy (HK)’s fulfillment of the requirements of the Order, the Non-compliance has been rectified. No legal penalty, fine or sanctions have been imposed on Wiscon Energy (HK) or any of its directors in relation to the Non-compliance.

### ***Taxation***

The relevant tax authorities issued certificates to Wiscon Engineering, Wiscon Engineering’s Chengdu Branch, Wiscon Engineering’s Fushun Branch and Wiscon Engineering’s Henan Design Institute Branch on November 6, 2012, October 31, 2012, October 31, 2012 and November 1, 2012, respectively, and to Wiscon Yangzhou on August 5, 2011 and October 16, 2012, confirming that no major violation of tax management regulations, including tax arrears and evasion by them, had been identified by the authorities.

***Social security and housing fund***

On September 3, 2012, the Social Insurance Management Center of Pudong District, Shanghai, the competent social security supervision authority, issued a written confirmation to Wison Engineering that confirmed that Wison Engineering had duly contributed social security payments for its employees. On October 16, 2012, Social Insurance Fund Management and Settlement Center of Hanjiang District, Yangzhou City, the competent social security supervision authority, issued a written confirmation to Wison Yangzhou that confirmed that Wison Yangzhou had made social security contributions for its employees in accordance with relevant national and local laws and regulations since January 1, 2008 without any record of being sanctioned by the Social Insurance Fund Management and Settlement Center of Hanjiang District for any non-compliance. The period covered by the confirmation is from January 1, 2008 up to the date of issuance of the confirmation.

During the three years ended December 31, 2011 and the eight months ended August 31, 2012, Wison Yangzhou did not make full contributions to the social security and housing funds for all its employees. Wison Yangzhou did not pay, or was not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of its employees due to differences in local regulations, inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund system by its employees. In particular, according to relevant PRC laws and regulations, Wison Yangzhou is responsible for contributing to the social security and housing fund on the basis of actual salary paid to its employees. As some of Wison Yangzhou's employees have houses in nearby villages, they are reluctant to make full housing fund contributions and have calculated the amount of their housing fund contributions on a basis that is lower than the salaries received by them. As Wison Yangzhou is required to make its portion of the housing fund contributions on the same basis as its employees, the amount of social security and housing fund contributions made by Wison Yangzhou for its employees were less than the amount required under the PRC laws and regulations. Nevertheless, the local government authority with oversight of Wison Yangzhou has issued a regulatory compliance certificate on social security and housing fund contributions to Wison Yangzhou, and therefore the risk of Wison Yangzhou being required to make a supplemental contribution or being imposed administrative penalties is low, and our PRC legal advisers have advised that they are of the view that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions. Wison Yangzhou's total outstanding amount of past social security obligations is approximately RMB3.3 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012 and the outstanding amount of past housing fund contributions is approximately RMB0.7 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012. Taking into account the outstanding amount of past social security and housing fund contributions, the receipt of compliance certificates from the local competent social security and housing fund authorities and the advice of our PRC legal advisers that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions, our Directors consider that adequate provisions have been made.

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## BUSINESS

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Notwithstanding Wison Yangzhou's failure to comply with the relevant PRC regulations with respect to social security and housing fund contributions, on October 16, 2012, Yangzhou Housing Fund Management Center, the competent housing fund supervision authority, issued a written confirmation to Wison Yangzhou that confirmed that Wison Yangzhou had duly contributed housing funds for employees in accordance with relevant laws and regulations since January 1, 2008 without any record of being sanctioned for any non-compliance. On October 25, 2012, the Shanghai Housing Fund Management Center, the competent housing fund supervision authority, issued a written confirmation to Wison Engineering that confirmed that Wison Engineering had made housing fund contributions for employees since June 1999 without any record of being sanctioned by the Shanghai Housing Fund Management Center.

We will pay all outstanding contributions as soon as possible for employees who have been reluctant to make contributions if such employees agree to make social security and housing fund contributions or if we receive any payment demand notice from the relevant authorities. As of the Latest Practicable Date, we had not received any notice from the relevant authorities demanding payment of the outstanding contributions. On this basis, our Directors consider that such non-compliance should only have minimal financial and operational impact on us.

Our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us through Wison Engineering and Wison Yangzhou in this regard.

Wison Yangzhou has made full contributions to the social security and housing funds for all its employees since October, 2012.

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## CONNECTED TRANSACTIONS

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### CONNECTED TRANSACTIONS

We have entered into certain transactions with parties who will become connected persons (as defined in the Listing Rules) of our Company upon Listing, and some of such transactions will continue following the Global Offering, and will therefore constitute continuing connected transactions of our Company under the Listing Rules.

### CONNECTED PERSONS

Upon Listing, the following persons and companies will become connected persons of our Company with which we have entered into continuing connected transactions:

Mr. Hua, an executive Director and the Chairman of our Company, is a connected person of our Company under Rule 14A.11(1) of the Listing Rules.

Wison Holding, a company wholly owned by Mr. Hua, holds 100% of Wison Investment. Wison Investment will own approximately 79.39% of our Company immediately following completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment, without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme or under the Share Option Scheme. Wison Holding will therefore be a Controlling Shareholder and a connected person of our Company.

Wison Nanjing is owned as to 87.8% by Wison (China) Investment, which is an indirectly wholly owned subsidiary of Wison Holding. Wison Nanjing is an associate of Mr. Hua and therefore a connected person of our Company under the Listing Rules. The business scope of Wison Nanjing includes production and sale of large-scale coal chemical products and provision of relevant auxiliary services. The net profit of Wison Nanjing (including Nanjing Ruigu which has been de-registered and merged into Wison Nanjing in November 30, 2011) for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 amounted to approximately RMB92.8 million, RMB232.8 million, RMB334.8 million and RMB168.0 million, respectively. The revenue of Wison Nanjing (including Nanjing Ruigu) for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 amounted to approximately RMB1,047.4 million, RMB1,874.6 million, RMB2,057.0 million and RMB1,086.2 million, respectively. These figures were extracted from the audited accounts of Wison Nanjing prepared based on PRC GAAP, without having been independently verified by us.

Prior to its de-registration and merger into Wison Nanjing on November 30, 2011, Nanjing Ruigu was a wholly owned subsidiary of Wison Nanjing. Nanjing Ruigu was therefore a connected person of our Company until its merger into Wison Nanjing. The principal business scope of Nanjing Ruigu included production and sale of chemical products. Nanjing Ruigu was a discrete business dedicated only to the production segment of the methanol-to-olefins sets pilot phase cooperative research (甲醇制烯烴成套技術中試階段合作研究) and had no other lines of business.

Jiangsu Xinhua is a substantial shareholder of Wison Engineering holding 25% of its equity interest (but is entitled as to 10% of its distributable profits). Jiangsu Xinhua is therefore a connected person of our Company under the Listing Rules. The business scope of Jiangsu



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## CONNECTED TRANSACTIONS

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Xinhua includes the manufacturing and sale of chemical machinery equipment and its ancillary products as well as heatproof stainless steel products, the sale of components for petrochemical machinery, and the provision of promotional services for application of advanced and practical technology.

Wison Telecommunication is owned as to 80% by Jiangsu Xinhua and as to 10%, 5% and 5%, respectively, by three Independent Third Parties. Wison Telecommunication is therefore an associate of Jiangsu Xinhua (a substantial shareholder of Wison Engineering) and a connected person of our Company under the Listing Rules. The business scope of Wison Telecommunication includes development, production (limited to branch operation), installation and sale of communication devices, computer software products; computer system integration; provision of consulting service on relevant business; and importation and exportation of goods and technologies.

Wison Nantong is indirectly wholly owned by Wison Holding. Wison Nantong is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules. The business scope of Wison Nantong includes production and sale of port logistics engineering machine, petrol engineering machine, marine equipment and other heavy steel structure products; and provision of technology service for port logistics engineering and offshore oil engineering. The net profit of Wison Nantong for the year ended December 31, 2009 amounted to approximately RMB24.1 million while it suffered a loss of RMB205.1 million and RMB270.7 million, respectively for the years ended December 31, 2010 and 2011. The revenue of Wison Nantong for the years ended December 31, 2009, 2010 and 2011 amounted to approximately RMB899.9 million, RMB661.2 million and RMB488.2 million, respectively. These figures were extracted from the audited accounts of Wison Nantong prepared based on PRC GAAP, without having been independently verified by us.

Zerun Biotech is indirectly wholly owned by Wison Holding. Zerun Biotech is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules. The business scope of Zerun Biotech includes production and sale of vaccines, storage and transport of food, sale of chemical products (other than dangerous goods), sale of medicine intermediaries (other than medications), technical development, technical consultation and technical servicing of biological products, food and health food, medicines, chemicals, information and the special field of natural element extraction; and import and export of cargo and technology.

Zhoushan Wison is indirectly wholly owned by Wison Holding and is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules. The business scope of Zhoushan Wison includes design and construction of offshore drilling rigs and production platforms, design and construction of pile foundation fixed drilling rigs, production platforms and modules, design and construction of offshore floating oil production, storage and offloading equipment, offshore floating storage and offloading equipment, liquefied natural gas vessels and liquefied petroleum gas vessels, design and construction of luxury cruises, design and construction of port machinery and equipment, and alteration and repair and maintenance of various marine engineering platforms.

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## CONNECTED TRANSACTIONS

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### I. TRANSACTIONS COMPLETED PRIOR TO THE LISTING

During the three years ended December 31, 2011 and the six months ended June 30, 2012, our Group entered into and completed the following transactions with certain entities controlled by the Controlling Shareholders that were not within our Group. Our Directors confirm that all these transactions were on normal commercial terms.

#### a. Wison (Nanjing) Synthesis Gas Project (Project 42)

On September 23, 2009, Wison Engineering and Wison Nanjing entered into a supplemental procurement and construction lead contractor contract to vary the terms of a contract entered into on June 26, 2007 in respect of the construction of Wison Nanjing's phase II synthesis gas project in Nanjing Chemical Industry Park. The total consideration of the contract was RMB35.0 million which was paid by Wison Nanjing to Wison Engineering. The phase II synthesis gas project was completed on November 30, 2009.

#### b. Technology Consultancy Agreements

On October 24, 2011, Wison Engineering and Wison Nanjing entered into five technology consultancy agreements pursuant to which Wison Nanjing engaged Wison Engineering to produce feasibility study reports within one month or three months of the date of the agreements in respect of (i) a 600kta methanol-to-olefins equipment, (ii) a 725kta carbon monoxide and 100kta hydrogen project, (iii) a syngas renovation project, (iv) the Butanol and Octanol Project, and (v) the Hydrogen Plant Renovation Project, all of which were completed in December 2011. The total consideration paid by Wison Nanjing to Wison Engineering for the five technology consultancy agreements was RMB2,450,000.

#### c. Erdos Guotai Methanol Project (Project 43)

On August 20, 2009, Wison Engineering and Erdos Guotai Chemical Co., Ltd. (鄂爾多斯市國泰化工有限公司), a company established in the PRC on July 8, 2008 with limited liability and deregistered on May 5, 2011, which was then indirectly non-wholly owned by Mr. Hua ("Old Erdos Guotai"), entered into an engineering, procurement and construction contract for a 400kta methanol plant (the "Erdos Guotai Methanol Project"). Old Erdos Guotai, the project owner of Erdos Guotai Methanol Project, was a chemical production company that began the construction of a coal-to-chemicals facility after obtaining a preliminary allocation of coal supply granted by the Erdos local government. The completion of the project was dependent on obtaining a significant ongoing allocation of coal. Due to an increase in the number of industry participants in the Erdos area and a limit on coal production, Erdos Guotai Methanol Project did not obtain the final amount of coal allocation from the government that it previously expected. Therefore, on January 20, 2010, Wison Engineering and Old Erdos Guotai agreed to terminate the Old Erdos Guotai Methanol Project and reduced the contract value from RMB1,997.5 million to RMB89.4 million, which was paid by Old Erdos Guotai to Wison Engineering.

#### d. Leases

On May 15, 2007, Wison Engineering entered into a lease agreement with Zerun Biotech pursuant to which Wison Engineering leased out certain premises of 900 m<sup>2</sup> located

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## CONNECTED TRANSACTIONS

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at 3rd Floor, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Zerun Biotech for RMB886,950 per annum for a three-year period commencing from May 20, 2007. On January 1, 2010, Wison Engineering and Zerun Biotech entered into a lease agreement pursuant to which Wison Engineering leased out certain laboratory and office space of 154 m<sup>2</sup> located at Building No. 3, 333 Edison Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Zerun Biotech for RMB151,767 per annum for a three-year period commencing from January 1, 2010. On December 30, 2010, Wison Engineering and Zerun Biotech agreed to terminate the above lease agreement dated January 1, 2010 with effect from January 1, 2011. On May 10, 2011, Wison Engineering entered into a lease agreement with Zerun Biotech pursuant to which Wison Engineering leased out certain laboratory and office of 2,130.4 m<sup>2</sup> located at Building Nos. 1 and 2, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC and certain industrial space of 4,749.66 m<sup>2</sup> located at Factory No. 8, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Zerun Biotech for RMB1,321,913.20 and RMB2,947,164.03, respectively, per annum for a three-year period commencing from January 1, 2010. The above lease agreement dated May 10, 2011 was superseded with effect from July 1, 2011 by an agreement entered into by Wison Engineering and Zerun Biotech on June 10, 2011, pursuant to which Wison Engineering leased out certain laboratory and office of 2,330.4 m<sup>2</sup> located at Building Nos. 1 and 2, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC and certain industrial space of 5,049.66 m<sup>2</sup> located at Factory No. 8, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Zerun Biotech for RMB1,446,013.20 and RMB3,133,314.03, respectively, per annum for a three-year period commencing from July 1, 2011 as described in “—Continuing connected transactions exempt from the independent shareholders’ approval requirement—Leases”.

On January 1, 2010, Wison Engineering entered into a lease agreement with Genor BioPharma Co., Ltd. (嘉和生物藥業有限公司) (“Genor BioPharma”), a company wholly-owned by Wison (China) Investment which is an indirect subsidiary of Wison Holding. Pursuant to such lease agreement, Wison Engineering leased out certain industrial space of 700 m<sup>2</sup> located at Building No. 4, 333 Edison Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC and certain laboratory and office space of 46 m<sup>2</sup> located at Building No. 3, 333 Edison Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Genor BioPharma for RMB689,850 and RMB45,333, respectively, per annum for a three-year period commencing from January 1, 2010. On December 20, 2011, Wison Engineering and Genor BioPharma agreed to terminate the above lease agreement dated January 1, 2010 with effect from January 1, 2012. On May 10, 2011, Wison Engineering and Genor BioPharma entered into a new lease agreement, pursuant to which Wison Engineering leased out certain laboratory space of 710.14 m<sup>2</sup> located at Building No. 1, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC and certain industrial space of 300 m<sup>2</sup> located at 1st to 3rd Floors, Factory No. 8, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to Genor BioPharma for RMB440,641.87 and RMB186,150, respectively, per annum for a three-year period commencing from January 1, 2011. On June 10, 2011, Wison Engineering and Genor BioPharma agreed to amend the lease agreement dated May 10, 2011, pursuant to which Genor BioPharma reduced the laboratory space located at Building No. 1, 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC to 510.14 m<sup>2</sup> for RMB316,541.87 per annum commencing and ceased to lease the industrial space of 300 m<sup>2</sup> located at 1st to 3rd Floors, Factory No. 8,

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## CONNECTED TRANSACTIONS

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1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC with effect from July 1, 2011. On December 20, 2011, Wison Engineering and Genor BioPharma agreed to terminate the above lease agreement dated May 10, 2011 as amended on June 10, 2011 with effect from January 1, 2012.

On August 29, 2011, Nanjing Ruigu leased to our Group a parcel of land of 36,800 m<sup>2</sup> in Nanjing Chemical Industry Park. The lease was for a term of 2.5 years commencing from July 1, 2011 to December 31, 2013. Rental expenses for the year ended December 31, 2011 and for the five months ended May 31, 2012 amounted to RMB331,000 and RMB276,000, respectively. The lease agreement was terminated on May 31, 2012.

## II. ONE-OFF TRANSACTIONS

The following transactions are one-off transactions entered into by our Group prior to the Listing. Such transactions therefore will not, following completion of the Global Offering, constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. For all such transactions, we will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof or if we enter into other connected transactions in relation thereto after Listing.

### a. Butanol and Octanol Project

On September 29, 2011, Wison Engineering and Wison Nanjing entered into a design contract (the “Butanol and Octanol Project Design Contract”) for the 250kta butanol and octanol project plant of Wison Nanjing at Nanjing Chemical Industrial Park in Nanjing, Jiangsu Province, PRC (the “Butanol and Octanol Project”) for a total consideration of RMB42,973,100 paid or payable by Wison Nanjing to Wison Engineering. Pursuant to the Butanol and Octanol Project Design Contract, Wison Engineering agrees to provide services relating to the overall design of the Butanol and Octanol Project including a 250kta butanol and octanol processing unit, a 300kta propane processing unit and other ancillary facilities, participate in the examination of the design at various design stages and provide key technology services on equipment procurement and construction management, and Wison Nanjing agreed to provide a research report, an environmental impact assessment and information relating to the design and technology.

The Butanol and Octanol Project Design Contract became effective in September 2011 and the project appraisal of the Butanol and Octanol Project is expected to be completed in November 2013. We consider the terms of the Butanol and Octanol Project Design Contract to be consistent with normal commercial terms that are fair and reasonable. Such terms were reached after arm’s length negotiations between Wison Engineering and Wison Nanjing.

### b. Technology licensing

On September 29, 2011, Wison Engineering and Wison Nanjing entered into a technology licensing agreement (the “Technology Licensing Agreement”) pursuant to which Wison Engineering agreed to grant to Wison Nanjing a non-exclusive license to use its olefins separation technology that is applied to the propylene separation device (the “Device”) at the Butanol and Octanol Project. Wison Nanjing may only apply the olefins separation technology

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## CONNECTED TRANSACTIONS

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in the design, procurement, installation and operation of the Device, and the olefins separation technology may not be transferred to any third party or used for any other purpose other than the implementation of the Device. The total consideration for such technology licensing amounts to approximately RMB8.1 million, which is a fixed amount and no other consideration will be payable under the Technology Licensing Agreement, the total consideration comprises RMB1.0 million for the olefins separation technology, approximately RMB6.5 million for technology packages such as technology process, data and operation manuals and documentation fees for the technology packages and RMB0.6 million for the technology service fees. The consideration of RMB1.0 million for the olefins separation technology was determined by reference to our Group's contract entered into with an Independent Third Party in relation to a 600kta butanol and octanol project at a consideration of RMB2.0 million. The consideration of RMB6.5 million and RMB0.6 million for technology packages and technology service fees, respectively, was determined by reference to the labor hours and the blended rate of the individual labor required for the documentation fees and the technology services rendered. The consideration is based on arm's length negotiations between Wison Engineering and Wison Nanjing and we consider the Technology Licensing Agreement is on normal commercial terms that are fair and reasonable. For the year ended December 31, 2011, Wison Nanjing paid RMB2.8 million to us. Based on the payment schedule of the Technology Licensing Agreement, Wison Nanjing will pay RMB3.2 million, RMB1.6 million and RMB0.5 million for each of the three years ending December 31, 2012, 2013 and 2014, respectively. No other consideration will be payable under the Technology Licensing Agreement. The Technology Licensing Agreement continues for as long as the Device is in operation but is subject to early termination by either party upon breach of contract, insolvency of either party or force majeure.

### **c. Technology co-operation development contract**

On June 8, 2011, Wison Engineering and Nanjing Ruigu entered into a technology co-operation development contract (the "Co-operation Contract") in connection with a cooperative research project for methanol-to-olefins sets pilot phase (甲醇製烯烴成套技術中試階段合作研究) (the "MTO Pilot Project"). The MTO Pilot Project involved pilot phase equipment design and construction of the pilot phase equipment, trial run of the pilot phase equipment and research report. Nanjing Ruigu owned the land required for construction of a pilot phase equipment in Nanjing Chemical Industry Park with comprehensive utility facilities. The key responsibilities of Nanjing Ruigu includes deciding the location for the pilot phase equipment facility and obtaining the necessary approvals in connection with the MTO Pilot Project, construction and trial run of the pilot phase equipment, operating and making necessary improvements to the pilot phase equipment, ensuring safety and providing research report. Wison Engineering will be responsible for quality assurance of the pilot phase equipment based on the research report and the completion of the construction of the pilot phase equipment designed by Nanjing Ruigu, producing operation manuals, and providing technical support for the construction and operation of the pilot phase equipment. As Nanjing Ruigu owned the land and expertise required for the construction of the pilot phase equipment, by co-operating with Nanjing Ruigu, Wison Engineering can reduce the expenses in relation to fixed assets investment and maintenance, management and operation of equipment to facilitate the research and development of the MTO Pilot Project.



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## CONNECTED TRANSACTIONS

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Wison Engineering will pay RMB23 million to Nanjing Ruigu for funding the costs of research and development activities of the MTO Pilot Project. No other payment will be payable by us to Nanjing Ruigu. Nanjing Ruigu will bear any other expenses relating to the MTO Pilot Project. All the payments paid or payable by us to Wison Nanjing have been or will be made between 2010 and 2012. Under the Co-operation Contract, both Nanjing Ruigu and Wison Engineering agreed not to disclose to any third parties, without prior written consent of the other party, any information in connection with the MTO Pilot Project and the Co-operation Contract for a term of 20 years. The intellectual property rights jointly created or generated from the MTO Pilot Project will be jointly owned by Nanjing Ruigu and Wison Engineering. Wison Engineering solely owns the production and distribution rights of the research products of the MTO Pilot Project. The profits generated under the Co-operation Contract will be shared between Nanjing Ruigu and Wison Engineering as to 30% and 70%, respectively, after deduction of reasonable expenses.

Nanjing Ruigu was de-registered and merged into Wison Nanjing on November 30, 2011 and the rights and obligations of Nanjing Ruigu under the Co-operation Contract were automatically subsumed into Wison Nanjing. The research and development of the MTO Pilot Project has an initial expected timetable from September 2010 to March 2012 and was completed in August 2012. The Co-operation Contract has no specific term and is subject to termination by either party upon the failure of the other party to perform any of its obligations under the Co-operation Contract.

### **d. Hydrogen Plant Renovation Project**

On February 23, 2012, Wison Engineering and Wison Nanjing entered into a design contract (the “Hydrogen Plant Renovation Project Design Contract”) for the 35kta hydrogen plant renovation project (3.5萬噸／年氫氣改擴建項目) of Wison Nanjing in the Nanjing Chemical Industrial Park in Nanjing, Jiangsu Province, PRC (the “Hydrogen Plant Renovation Project”) for a total consideration of RMB16.9 million paid by Wison Nanjing to Wison Engineering for its services provided to Wison Nanjing. Pursuant to the Hydrogen Plant Renovation Project Design Contract, Wison Engineering is responsible for the renovation of a hydrogen processing unit and other ancillary facilities. Wison Engineering agreed to participate in the examination of the design at various design stages and provide key technology services on equipment procurement and construction management, and Wison Nanjing agreed to provide a research report, environmental impact assessment and information relating to the design and technology.

The Hydrogen Plant Renovation Project Design Contract became effective in February 2012 and the project appraisal of the Hydrogen Plant Renovation Project is expected to be completed in June 2013. We consider the terms of the Hydrogen Project to be consistent with normal commercial terms that are fair and reasonable. Such terms were reached after arm’s length negotiations between Wison Engineering and Wison Nanjing.

### **e. Zhoushan marine engineering base project**

On May 16, 2012, Wison Engineering and Zhoushan Wison entered into a procurement and construction lead contractor agreement (as supplemented by a supplemental agreement dated August 15, 2012) (the “Zhoushan PC Agreement”) for the



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## CONNECTED TRANSACTIONS

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“construction of the marine engineering base” project (海洋工程建造基地工程) in Zhoushan, Zhejiang Province, PRC pursuant to which Zhoushan Wison engaged Wison Engineering to procure all equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for an estimated consideration of RMB990.93 million, such consideration may be adjusted due to an increase or decrease in the volume of work resulting from the change in the design of the marine engineering base, fluctuation in market price of equipment and materials that significantly deviates from the initial quotation, change in the applicable legal and regulatory framework governing this type of project and other factors as agreed between the two parties. The marine engineering base project is for a term of 17 months commencing from May 28, 2012 to October 31, 2013. Upon completion, the marine engineering base will be the principal integrated production facilities of Zhoushan Wison to undertake the construction of various large scale offshore and marine engineering projects such as offshore oil drilling platforms and oil production platforms.

The Zhoushan PC Agreement was awarded by Zhoushan Wison through a public tender process. Our Directors consider the consideration payable under the Zhoushan PC Agreement was comparable to the prevailing market price based on the then market conditions and is on normal commercial terms.

### **f. Wison Nanjing Phase III Syngas Project**

On June 28, 2012, Wison Engineering and Wison Nanjing entered into a design contract (the “Wison Nanjing Phase III Syngas Project Design Contract”) for Wison Nanjing’s phase III syngas project (三期合成氣項目) in the Nanjing Chemical Industry Park in Nanjing, Jiangsu Province, PRC (“Wison Nanjing Phase III Syngas Project”) for a total consideration of RMB36,830,000 to be paid by Wison Nanjing to Wison Engineering. Pursuant to the Wison Nanjing Phase III Syngas Project Design Contract, Wison Engineering has agreed to provide services relating to the overall design of the Wison Nanjing Phase III Syngas Project including utilities and other ancillary facilities of the production plant and ancillary facilities, process package planning for procurement of the Linde scrubbing process (林德低溫甲醇洗), participate in the examination of the design at various design stages and provide technical services for engineering procurement, construction, testing and assessment stage.

The Wison Nanjing Phase III Syngas Project Design Contract became effective on July 12, 2012 and the project appraisal of the Wison Nanjing Phase III Syngas Project is expected to be completed in November 2013.

## **III. EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Upon Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.33 of the Listing Rules.

### **a. Trade mark licensing**

Wison Holding, as licensor, has entered into three trade mark licensing agreements (the “Trade Mark Licensing Agreements”) with our Company and two of our subsidiaries, Wison Yangzhou and Wison Engineering, as licensees, respectively, in respect of the right to

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## CONNECTED TRANSACTIONS

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use certain trade marks (the “Trade Marks”) as described in the relevant Trade Mark Licensing Agreements below. Details of the trade mark application/registration are more particularly set out in “Appendix VI—Statutory and General Information—Further information about our business—Intellectual property rights of our Group”.

- (i) Wison Holding entered into a trade mark licensing agreement dated May 18, 2012 with our Company, pursuant to which Wison Holding agreed to grant to our Company the right to use the trade marks “惠生”, “WISON” and **WISON** in Hong Kong, the United States, Russia, Japan, Saudi Arabia, Korea, Thailand, Australia, Mexico, Norway, Iran, Singapore, Canada, Iraq and the European Union (the “Territory”) in connection with our Company’s business on a perpetual and non-exclusive basis at a nominal consideration of HK\$1.0.
- (ii) Wison Holding entered into a trade mark licensing agreement in March 2012 with Wison Yangzhou, pursuant to which Wison Holding agreed to grant to Wison Yangzhou the right to use the trade marks “惠生” and “WISON” in the PRC in connection with Wison Yangzhou’s business on a perpetual and non-exclusive basis at nil consideration.
- (iii) Wison Holding entered into a trade mark licensing agreement dated March 21, 2012 with Wison Engineering, pursuant to which Wison Holding agreed to grant to Wison Engineering the right to use the trade marks “惠生” and “WISON” in the PRC in connection with Wison Engineering’s business on a perpetual and non-exclusive basis at nil consideration.

Pursuant to the Trade Mark Licensing Agreements, we have the non-exclusive right to use, sub-license and permit our subsidiaries to use the Trade Marks in connection with our business and must not further sub-license or permit any third party that is not a member of our Group to use the Trade Marks. We undertake to use the Trade Marks exclusively for the purposes authorized in the Trade Mark Licensing Agreements and, in particular, undertakes not to use the Trade Marks in any way that may make them become generic, lose their distinctiveness, become susceptible to mislead the public, or be materially detrimental to or inconsistent with the good name, goodwill, reputation and image of Wison Holding. We agree not to adopt or use any trade mark, symbol or device that incorporates or is confusingly similar to, or is a simulation or colorable imitation of the Trade Marks, or unfairly competes with the Trade Marks. We further undertake not to at any time, whether during or after termination of the Trade Mark Licensing Agreements, apply anywhere in the world to register any trade marks identical to or so nearly resembling the Trade Marks as to be likely to deceive or cause confusion.

Pursuant to the Trade Mark Licensing Agreements, Wison Holding undertakes to duly complete and maintain registration of the Trade Marks in the relevant jurisdictions and undertakes not to license or permit any third party that is not a subsidiary of Wison Holding to use the Trade Marks. However, Wison Holding may grant licenses to any third party to use the Trade Marks outside the scope of our Company’s business or outside the Territory pursuant to the agreement between Wison Holding and our Company.

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## CONNECTED TRANSACTIONS

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In the event of any demand, action or claim against us by any third party arising from the use of any Trade Marks in accordance with the terms of the Trade Mark Licensing Agreements, Wison Holding must indemnify and keep harmless our Group from and against all liabilities, losses, damages, costs, charges and expenses sustained or incurred by us in connection therewith. We undertake to inform Wison Holding of any misappropriation or infringement of the Trade Marks of which we becomes aware, and in the event Wison Holding takes legal action against such misappropriation or infringement, we will provide reasonable assistance to Wison Holding upon request.

The Trade Mark Licensing Agreements may be terminated if Wison Holding ceases to be a shareholder of our Group or if any parties thereto breach their respective warranties and undertakings.

The Trade Mark Licensing Agreements were entered into by Wison Holding and our Group in the ordinary and usual course of business of our Group on terms favorable to our Group, and are fair and reasonable and in the interest of our Shareholders as a whole. Wison Holding considers it to be in its commercial interest to retain ownership of the Trade Marks developed by them and grant a non-exclusive license to Wison Entities, including our Company, Wison Yangzhou and Wison Engineering.

As the licensing of the Trade Marks involves nominal or nil consideration, the transactions under the Trade Mark Licensing Agreements will be exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **b. Patent licensing**

On May 18, 2010, Wison Engineering entered into four separate patent licensing agreements, each for a term of six years (save for patent numbered ZL 2006 10106940.4, which is for a term of 16 years) with Wison Nanjing, pursuant to which Wison Engineering agreed to grant an exclusive license to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas, namely patents numbered ZL 2006 10106940.4, ZL 2007 20004872.0, ZL 2007 20005160.0 and ZL 2007 20005161.5 free of royalty and can only be used by Wison Nanjing in the production of its coal-chemical products (instead of business activities that are similar to those of our Group). Patent numbered ZL 2006 10106940.4 refers to city gas cogeneration methanol integration process (城市煤氣聯產甲醇集成工藝) that uses coal to produce a variety of gas products and improves production equipments so as to save energy. Patent numbered ZL 2007 20004872.0 refers to a low-cost equipment that adjusts the optimum hydrogen-carbon ratio during methanol gas generation process (煤氣聯產甲醇過程中原料氣的氫碳比調節裝置). Patent numbered ZL 2007 20005160.0 refers to methanol synthesis reactor (一種甲醇合成反應器) that improves the stability of the methanol synthesis equipment. Patent numbered ZL 2007 20005161.5 refers to methanol separator (甲醇分離器) that reduces methanol content in synthesis gas by mechanical separation and physical dissolution methods.

We believe that it is fair and reasonable to grant Wison Nanjing the licenses to use the patented technologies for trial purposes at nil consideration as we have only incurred minimal cost in the research and development of the patented technologies and such patented

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## CONNECTED TRANSACTIONS

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technologies are only conceptual and theoretical ideas and will require significant amount of time and financial resources before such patented technologies can be put into actual practical application. Further, there is no guarantee that Wison Nanjing will be successful in putting such patented technologies into actual practical application. As the patent licensing is free of royalty, the patent licensing agreements will be exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **c. Domain name licensing**

On November 30, 2012, Wison Holding, as licensor, and our Company, as licensee, entered into a domain name license agreement (the "Domain Name License Agreement") in respect of the right to use the domain name "wison-engineering.com" registered under the name of Wison Holding (the "Domain Name"). Pursuant to the Domain Name License Agreement, Wison Holding has agreed to grant our Company, and our Company has accepted, a royalty-free license to use the Domain Name on an exclusive basis. The Domain Name License Agreement is for a perpetual term and may be terminated in certain circumstances, such as if Wison Holding ceases to be a shareholder of our Company.

The Domain Name License Agreement was entered into by Wison Holding and our Company in the ordinary and usual course of business of our Group on terms favorable to our Company, and is fair and reasonable and in the interest of our Shareholders as a whole.

As the licensing of the Domain Name involves nominal or nil consideration, the transaction under the Domain Name License Agreement will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **d. Administrative services agreement**

Pursuant to an administrative services agreement (the "Administrative Services Agreement") entered into between Wison Holding and our Company on November 30, 2012, Wison Holding agreed to provide to us general legal services and legal consultation, information system management services, data management services, back-up services and other related support services that is charged by Wison Holding based on the cost involved and the portion of actual time incurred by the staff of Wison Holding towards the provision of such services.

Pursuant to the Administrative Services Agreement, we have agreed to provide administrative services and certain compliance and secretarial services to Wison Holding and its subsidiaries (except members of our Group) that is charged by us based on the cost involved and the portion of actual time incurred by our staff towards the provision of such services.

The Administrative Services Agreement has an initial term from the Listing Date to December 31, 2014 and, thereafter, will be automatically renewed for success periods of three years each unless either party gives notice of non-renewal to the other party at least 90 days prior to the expiry of the initial term. The Administrative Services Agreement may be

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## CONNECTED TRANSACTIONS

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terminated by either party prior to the expiry date upon the occurrence of certain events, including the default or insolvency of the other party or the failure of our Company to obtain or maintain the necessary shareholders' approval or waiver from the Stock Exchange in respect of the agreement pursuant to the Listing Rules.

The transactions contemplated under the Administrative Services Agreement as stated above are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(2) of the Listing Rules, as they involve the sharing of general administrative services on a cost basis, and which are identifiable and allocated to the parties involved on a fair and equitable basis.

#### **IV. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT**

Upon Listing, the following transactions will be regarded as continuing connected transactions of our Group under Rule 14A.34(1) of the Listing Rules as each of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules is less than 5% and, accordingly, will be subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

##### **a. Leases**

We leased (the "Leases") to Wison Telecommunication and Wison Nantong on January 1, 2011, and to Zerun Biotech on July 1, 2011 and January 1, 2012 specified parts of Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC (collectively referred to as the "Leased Properties"). Wison Telecommunication, Wison Nantong and Zerun Biotech intend to continue the Leases following the Listing.

## CONNECTED TRANSACTIONS

Details of the above Leases are as follows:

Lesser	Lessee	Leased Properties	Duration of Lease	g.f.a of Leased Properties (m <sup>2</sup> )	Authorized use of relevant land	Annual Rental (RMB in thousands)	Rental for the year ended December 31, 2011 (RMB in thousands)
Wisong Engineering	Wisong Telecommunication	<ul style="list-style-type: none"> <li>● A portion of level 2, Building No.4, No.1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC</li> </ul>	January 1, 2011 to December 31, 2013	718.00	Industrial (office)	466.5	466.5
Wisong Engineering	Wisong Nantong	<ul style="list-style-type: none"> <li>● Portions of Level 1, Building No.4, No.1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC</li> </ul>	January 1, 2011 to December 31, 2013	748.00	Industrial (office)	486.0	486.0
Wisong Engineering	Zerun Biotech	<ul style="list-style-type: none"> <li>● Portions of Buildings Nos.1 and 2, No.1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC</li> <li>● Portions of Levels 1 to 3, Factory No.8, No.1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC</li> <li>● Portions of Building No.1, No.1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC</li> </ul>	<ul style="list-style-type: none"> <li>July 1, 2011 to December 31, 2013</li> <li>July 1, 2011 to December 31, 2013</li> <li>January 1, 2012 to December 31, 2013</li> </ul>	<ul style="list-style-type: none"> <li>2,330.40</li> <li>5,049.66</li> <li>510.14</li> </ul>	<ul style="list-style-type: none"> <li>Industrial (production facility)</li> <li>Industrial (production facility)</li> <li>Industrial (production facility)</li> </ul>	<ul style="list-style-type: none"> <li>1,446.0</li> <li>3,133.3</li> <li>316.5</li> </ul>	<ul style="list-style-type: none"> <li>723.0</li> <li>1,566.7</li> <li>not applicable</li> </ul>

Total rental payment per annum: RMB5.8 million RMB3.2 million

### ***Aggregation of transactions***

As the Leases were entered into by Wisong Engineering with Wisong Telecommunication, Wisong Nantong and Zerun Biotech, respectively, all of which are connected persons or associates of connected persons (as described above), the Leases will be considered under Rule 14A.26(1) of the Listing Rules to be entered into between our Group and “parties connected or otherwise associated with one another”. Hence, the Leases should be aggregated under Rule 14A.26(1) of the Listing Rules.

### ***Historical figures***

For each of the three years ended December 31, 2011 and the six months ended June 30, 2012, the total rental paid or payable by Wisong Telecommunication, Wisong Nantong and Zerun Biotech to our Group under the Leases amounted to approximately nil, nil, RMB3.2 million and RMB2.9 million, respectively.



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## CONNECTED TRANSACTIONS

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### ***Annual caps***

The aggregate annual rental payable by Wison Telecommunication, Wison Nantong and Zerun Biotech to us will not exceed RMB5.8 million, RMB5.8 million and RMB5.8 million for each of the three years ending December 31, 2014, respectively. The relevant estimates have been determined with reference to the terms of the Leases and the historical rental paid for the Leased Properties. The increase in the proposed caps when compared to the historical figures is due to the increase in the rental area mainly because Zerun Biotech requires greater rental area for its vaccine research and development projects and hence the higher rental income to be received by us. For example, the lease area for the years ended December 31, 2010 and 2011 amounted to approximately 900.0 square meters and 9,356.2 square meters, respectively, with rental payments of approximately RMB0.9 million and RMB3.2 million for the years ended December 31, 2010 and 2011, respectively.

### ***Pricing basis***

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of professional surveyors and valuers independent of our Group, has reviewed the Leases and has confirmed that the rental payable by each of Wison Telecommunication, Wison Nantong and Zerun Biotech to our Group under the Leases is consistent with the prevailing market rents for similar properties in similar locations as of the commencement date of their respective tenancies and is thus on normal commercial terms, fair and reasonable to our Group.

### **b. Chemical machinery equipment and ancillary products purchasing**

Wison Engineering and Jiangsu Xinhua entered into a framework agreement (the "Framework Agreement") dated April 25, 2011 that sets out the principal terms and conditions under which Wison Engineering will purchase anchor, refractory support plunge hook and other ancillary accessories for its cracking furnaces and chemical engineering tower from Jiangsu Xinhua. The Framework Agreement has a term of three years from April 25, 2011 and is renewable for another three years upon Wison Engineering giving notice in writing to Jiangsu Xinhua at least one month prior to the expiry of the original term.

Our Directors consider it to be in the interests of our Group and our Shareholders as a whole to purchase ancillary accessories from Jiangsu Xinhua because based on our long standing business relationship with Jiangsu Xinhua, we believe that the products produced by Jiangsu Xinhua are of consistent quality and better value when compared with other independent suppliers in the PRC at the prices charged, and based on Wison Engineering's past experience, Jiangsu Xinhua has proved to be more flexible than other PRC suppliers in terms of production process and arrangements for delivery of the products to Wison Engineering.

### ***Pricing basis***

Wison Engineering and Jiangsu Xinhua agreed that the price to be charged by Jiangsu Xinhua for the ancillary accessories will be the price or indicative price set by the state, provincial government or other regulatory bodies for that specific category of products, or in its absence, the prevailing market price available in the general area where the products are supplied, or in the PRC, the price of similar products charged by suppliers who are

## CONNECTED TRANSACTIONS

independent of and not connected with any director, chief executive, substantial shareholder of our Company or any of our subsidiaries or any of their respective associates. In the absence of government set price or comparable market price, the price will be determined by arm's length negotiations between the parties with reference to the reasonable cost incurred by Jiangsu Xinhua for manufacturing and supplying the products, plus a margin of 5% thereof which has been determined based on the parties' knowledge regarding the average industry margin range according to prevailing market information in the PRC and of overseas suppliers of similar products. The reasonable cost of products supplied will be determined in accordance with PRC accounting standards and agreed by the parties following negotiations.

### **Historical figures**

The following is a summary of the value of connected transactions in relation to purchases by Wison Engineering of ancillary accessories from Jiangsu Xinhua for each of the periods indicated:

	Years ended December 31,			Six months ended
	2009	2010	2011	June 30, 2012
Purchase from Jiangsu Xinhua				
—Anchor ancillary accessories (RMB '000) . . . . .	1,805	1,626	2,980	nil
Our Group's total purchase of ancillary accessories (RMB '000) . . . . .	4,132.6	24,157.0	6,966.2	589.7
Purchase from Jiangsu Xinhua as a % of our Group's ancillary accessories . . . . .	43.7%	6.7%	42.8%	0.0%

### **Annual caps**

Based upon the number of contracts awarded and the projections of our Group in respect of the contracts that may be awarded for the relevant period for the construction and renovation of ethylene cracking furnaces and the size and scale of those contracts, our Directors estimate that the maximum aggregate annual value of the purchases of ancillary accessories from Jiangsu Xinhua under the Framework Agreement will not exceed RMB4.0 million, RMB5.0 million and RMB6.5 million for each of the three years ending December 31, 2014, respectively. The increase in the proposed annual caps when compared to the historical figures is due to the appointment of Jiangsu Xinhua by our clients in 2011 as the qualified supplier for a number of contracts with greater contract value, and as we believe we have the requisite knowledge and skills and a good understanding of our clients' needs to have a high chance of winning the bids of contracts, we anticipate an increasing need to purchase from Jiangsu Xinhua. Further, the increase in the proposed annual caps includes our estimation in our increase in purchase for the column internals (塔內件) for projects that we will undertake in 2012 and 2013.

Our Directors (including the independent non-executive Directors) are of the opinion that the Framework Agreement was entered into in the ordinary and usual course of business of our Group and are based on arm's length negotiations, and on normal commercial terms that are fair and reasonable and in the interests of our shareholders as a whole. Our Directors also consider that each of the proposed annual caps of the purchases from Jiangsu Xinhua is fair and reasonable as our shareholders taken as a whole are concerned.

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## **CONNECTED TRANSACTIONS**

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### **V. WAIVERS SOUGHT FROM THE STOCK EXCHANGE**

Based on the aggregation of the rental payable under the Leases and the estimated annual caps under the Framework Agreement, the percentage ratios under Chapter 14A of the Listing Rules, where applicable, in respect of the above continuing connected transactions are expected to be, on an annual basis, less than 5%. As such, these transactions will constitute continuing connected transactions of our Company that are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

Accordingly, we have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver from strict compliance with the announcement requirement under the Listing Rules in respect of the above continuing connected transactions.

### **CONFIRMATION FROM DIRECTORS**

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions described above have been or will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders taken as a whole, and that the proposed annual caps for each of the three financial years ending December 31, 2014 set out above are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

### **CONFIRMATION FROM THE JOINT SPONSORS**

The Joint Sponsors are of the view that the continuing connected transactions described above are entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

Our Board consists of three executive Directors and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position / Title</u>	<u>Appointment Date</u>	<u>Principal Roles and Responsibilities</u>
Mr. Hua Bangsong (華邦嵩先生)	47	Chairman and executive Director	June 30, 2004	Planning and formulating our Group's strategy on overall business development, and a member of the Nomination Committee
Mr. Liu Haijun (劉海軍先生)	47	Executive Director and senior vice president of our Group	May 18, 2011	Supervising the operation of the industrial furnaces affairs and sales departments of Wison Engineering
Mr. Chen Wenfeng (陳文峰先生)	41	Executive Director and chief financial officer and senior vice president of our Group	May 18, 2011	Overseeing financial operations of our Group
Mr. Liu Ji (劉吉先生)	77	Independent non-executive Director	November 30, 2012	The chairman of the Remuneration Committee and a member of the Audit Committee
Mr. Choy Sze Chung Jojo (蔡思聰先生)	53	Independent non-executive Director	November 30, 2012	The chairman of the Audit Committee and a member of the Nomination Committee
Mr. Wu Jianmin (吳建民先生)	73	Independent non-executive Director	November 30, 2012	The chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee

### EXECUTIVE DIRECTORS

**Mr. Hua Bangsong** (華邦嵩), age 47, is the founder of our Group, and the chairman and executive Director of our Company. Mr. Hua has been our Chairman and an executive Director since June 30, 2004. Mr. Hua did not hold any directorship in any listed public company in the last three years. Mr. Hua has in-depth industry knowledge and has over 23 years of experience in the operation and management in the petrochemicals industry.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Hua began his career in the petrochemicals industry in the sales department of Jiangsu Province Xinhua City Dainan Metal Screen Factory (江蘇省興化市戴南金屬絲網廠). Subsequently, Mr. Hua established the predecessor of Jiangsu Xinhua, namely, Jiangsu Xinhua City Petrochemical Equipment Parts Factory (江蘇省興化市石油化工設備配件廠). The predecessor of Jiangsu Xinhua was primarily engaged in the manufacture of petrochemical machinery and related accessories, as well as the supply of raw materials for the petroleum industry.

Mr. Hua established Wison Engineering in 1997. Under the management of Mr. Hua, Wison Engineering was primarily engaged in the provision of engineering and construction solutions for improving the performance and environmental friendliness of separation systems for chemical engineering processes during its initial stage of operation. Since 2000, Mr. Hua gradually shifted the focus of Wison Engineering's principal business to its current operations of providing solution to the petrochemicals and coal-to-chemicals industry in PRC for designing, building and renovating ethylene cracking furnaces and for the engineering, procurement and construction of production facilities for ethylene, coal-to-chemicals and their downstream products and oil refineries. To complement the operations of Wison Engineering, Mr. Hua established Wison Yangzhou in 2004. He is currently responsible for planning and formulating our Group's strategy on overall business development.

**Mr. Liu Haijun (劉海軍)**, age 47, is an executive Director of our Company and a senior vice president of our Group, and is mainly responsible for supervising the operation of the industrial furnaces affairs and sales departments of Wison Engineering. Mr. Liu graduated from the University of Petroleum (石油大學) in 1991. In 2010, Mr. Liu obtained his executive MBA from Euro-China International Business College (中歐國際商學院). From 1994 to 2001, he was engaged in the design management and project management in the Project Management Department of Sinopec Qilu. In 2000, he was appointed by Sinopec Qilu as a senior engineer. Mr. Liu joined our Group as a technical engineer of the Furnace Department of Wison Engineering in August 2001 and has successively served as the technical engineer, the project manager, the manager of the Furnace Department, vice general manager of the Engineering Department and deputy general manager of Wison Engineering. Mr. Liu was also appointed as our Director on May 18, 2011. Since 2009, Mr. Liu was an executive member of the board of the Safety Manufacturing of Shanghai (上海安全生產) and an executive member of the Project Management of China Exploration & Design Association (中國勘察設計協會). He has 27 years' experience in the petrochemicals industry. Mr. Liu did not hold any directorship in any listed public company in the last three years.

**Mr. Chen Wenfeng (陳文峰)**, age 41, joined our Group in 2011. He is the chief financial officer and a senior vice president of our Group and was appointed as our executive Director on May 18, 2011, and is mainly responsible for the financial operations of our Group. Mr. Chen graduated from Washington University Olin Business School with a master's degree in business administration in 2007. From 2000 to 2002, he worked as the China Site Support & Consolidation Finance Manager responsible for China non-manufacturing factory finance and consolidation at Intel (China) Technology Co., Ltd. and from 2002 to 2004, worked as China CPU Finance Manager and VF finance leader in the same company. From 2006 to 2009, Mr. Chen worked at Ingersoll-Rand Machinery Co. Ltd. as Asia Logistic Hub and Manufacturing Finance Controller responsible for APAC logistic hub and manufacturing overall finance. From 2010 to 2011, Mr. Chen worked as an associate director

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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at PricewaterhouseCoopers in advisory for merger and acquisition transactions. Mr. Chen did not hold any directorship in any listed public company in the last three years.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Liu Ji (劉吉)**, age 77, was appointed as our independent non-executive Director on November 30, 2012. Mr. Liu graduated from Power Mechanical Engineering Department of Tsinghua University in 1958 and, thereafter, worked in the Shanghai Internal Combustion Engine Research Institute (上海內燃機研究所) for over 20 years. Mr. Liu acted as vice president of the Science and Technology Commission of Shanghai Municipality (上海市科協) from 1983 to 1998, vice director of Propaganda Department of Shanghai Municipal Committee (中共上海市委宣傳部) from 1988 to 1991, director of the Commission for Economic Restructuring of Shanghai Municipal (上海市人民政府經濟體制改革委員會) from 1992 to 1993 and vice president of Chinese Academy of Social Sciences (中國社會科學院) from 1993 to 1998. Since 1999, Mr. Liu served as a researcher, member of the academic committee and tutor for doctoral candidates in Chinese Academy of Social Sciences (中國社會科學院). He was the executive president of China Europe International Business School (中歐國際工商學院) from 2000 to 2004 and became the honorary president in 2005. Mr. Liu has also been an independent non-executive director of First Shanghai Investments Limited since 2004 and of Universal Technologies Holdings Limited since September 7, 2008. Both First Shanghai Investments Limited and Universal Technologies Holdings Limited are companies listed on the Main Board of the Stock Exchange. Mr. Liu has also been a class II director of O<sub>2</sub>micro International Limited since June 2007. O<sub>2</sub>micro is a company listed on the NASDAQ Stock Market. Mr. Liu was previously an independent non-executive director of Stone Group Holdings Limited from 2005 to 2008, a company previously listed on the Main Board of the Stock Exchange on August 16, 1993 and subsequently privatized and delisted on November 9, 2009.

**Mr. Choy Sze Chung Jojo (蔡思聰)**, age 53, was appointed as our independent non-executive Director on November 30, 2012. Mr. Choy graduated from Glendale Community College in 1985 with an associate degree in Arts. In 2002, he obtained a postgraduate diploma in business administration from University of Wales, Newport in the United Kingdom, where he also obtained a MBA degree in 2004. Mr. Choy also obtained a master's degree in business law from Monash University, Australia in 2007. From 1995 to 2002, Mr. Choy worked at Coin Fall Limited as dealing director and general manager. From 2004 to 2005, he worked at BOCI Securities Limited as sales director. Since 2005, Mr. Choy has been working at National Resources Securities Limited as vice chairman and responsible officer. He is mainly responsible for business development and supervising compliance related matters.

Mr. Choy is a fellow member of the Institute of Financial Accountants of United Kingdom, and also chairman of the Institute of Securities Dealers Limited. He has more than 16 years of professional experience in securities dealings. Mr. Choy is also a fellow member of The Hong Kong Institute of Directors. Further, Mr. Choy is a member of the 2011 Election Committee for the financial services subsector in the 2011 Election Committee Subsector Election.

Currently, he is the independent director of various companies listed on the Stock Exchange, namely Chengdu PUTIAN Telecommunications Cable Company Limited (Stock



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Code: 1202), Zhaojin Mining Industry Company Limited (Stock Code: 1818) and Sparkle Roll Group Limited (Stock Code: 0970). Mr. Choy is also the chairman of the Audit Committee of Chengdu PUTIAN Telecommunications Cable Company Limited (Stock Code: 1202) and the chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of Sparkle Roll Group Limited (Stock Code: 0970).

**Mr. Wu Jianmin (吳建民)**, age 73, was appointed as our independent non-executive Director on November 30, 2012. Mr. Wu graduated from Beijing Foreign Language Institute (北京外國語學院) (now known as Beijing Foreign Studies University (北京外國語大學)) in 1959 with an undergraduate degree in French, where he also pursued postgraduate studies in translation from 1959 to 1961. From 1965 to 1971, he served at the Department of Translation and Interpretation of the Ministry of Foreign Affairs of the PRC (中華人民共和國外交部翻譯室) as a French interpreter for Chinese leaders such as Mao Zedong and Zhou Enlai. In 1971, he became a member of the first Permanent Mission of the PRC to the United Nations. During his diplomatic career of over 40 years, he served such various positions as political counselor of the Permanent Mission of the PRC to the United Nations, DCM (deputy chief of Mission) of the Embassy of the PRC in the Kingdom of Belgium, DCM of the PRC Mission to the European Communities, director-general of Department of Information and spokesman of Ministry of Foreign Affairs, Chinese ambassador to the Netherlands, permanent representative and ambassador of the PRC to the United Nations office at Geneva and other International Organizations in Switzerland (中華人民共和國常駐聯合國日內瓦辦事處和瑞士其他國際組織代表團), and Chinese Ambassador to France from 1998 to 2003. He was the president of China Foreign Affairs University from 2003 to 2008. He also served as the executive vice president of China National Association for International Studies, deputy secretary-general and spokesman of the Chinese People's Political Consultative Conference ("CPPCC") and vice chairman of the Foreign Affairs Commission of the CPPCC National Committee. He was the president of the Bureau International des Expositions from 2003 to 2007. In June 2003, Mr. Wu was awarded Grand Officer, Légion d'Honneur by then French President Jacques Chirac in recognition of his outstanding contribution to Sino-French relations. Mr. Wu did not hold any directorship in any listed public company in the last three years.

Pursuant to Rule 8.10(2) of the Listing Rules, none of our Directors has any competing business with our Group.

Save as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters need to be brought to the attention of our Shareholders.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position / Title</u>
Ms. Xu Tan (徐坦女士) .....	42	Vice president of our Group and general manager of the Beijing branch of Wison Engineering
Mr. Lin Zhong (林中先生) .....	51	Vice president of our Group
Mr. Xia Wenji (夏文基先生) .....	57	General manager of Wison Yangzhou
Mr. Li Jianzhong (李建中先生) .....	50	Deputy general manager of Wison Yangzhou
Mr. Zhou Hongliang (周宏亮先生) .....	43	Senior vice president of our Group
Mr. Yang Zhimin (楊志敏先生) .....	54	Vice president of our Group and general manager of Henan branch of Wison Engineering
Mr. Cui Ying (崔穎先生) .....	40	Senior vice president of our Group
Mr. Yang Guangping (楊廣平先生) .....	46	Vice president of our Group and general manager in the international business division II of Wison Engineering
Mr. Sun Xiaoguang (孫曉光先生) .....	51	Vice president of our Group
Mr. Yang Dechang (楊德昌先生) .....	47	Assistant president of our Group and procurement general manager of Wison Engineering
Mr. Li Yansheng (李延生先生) .....	47	Assistant president of our Group and technical director of Wison Engineering
Mr. Man Tangquan (滿堂泉先生) .....	49	Assistant to president of our Group and project manager of Wison Engineering
Mr. Dong Hua (董華先生) .....	44	Vice president of our Group and general manager of the international business division I of Wison Engineering
Mr. Li Baoyou (李保有先生) .....	47	Vice president of our Group and general manager of the industrial furnace affairs department of Wison Engineering
Ms. Luk Wai Mei (陸慧薇女士) .....	46	Company secretary of our Company
Ms. Chen Huimei (陳惠梅女士) .....	45	Vice president of our Group and general manager of the research and development center of Wison Engineering
Mr. Fan Weijie (范慰韻先生) .....	48	Vice president of our Group and general manager of technical consulting division of Wison Engineering
Mr. Hua Lingsu (華令蘇先生) .....	47	Assistant president of our Group and director of quality, health, safety and environment division of Wison Engineering

**Ms. Xu Tan (徐坦)**, age 42, is a vice president of our Group and the general manager of the Beijing Branch of Wison Engineering. Ms. Xu is a registered accountant and a senior economist in the PRC. She is mainly responsible for coordinating the relationship with the major clients of Wison Engineering in Beijing and supervising the Beijing branch office of Wison Engineering. Ms. Xu graduated from Renmin University of China (中國人民大學) in 1992 and received her master's degree in business administration from Tsinghua University (清華大學) in 2001. From 2000 to 2004, she successively served as the assistant to the chief financial officer on investor relations and the director of the Human Resources and Administration Department of China Netcom Broadband Corporation Ltd. (中國網通寬帶公司).

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Ms. Xu joined our Group as an assistant president of Wison Engineering and general manager of the Beijing branch office of Wison Engineering in October 2004. Ms. Xu did not hold any directorship in any listed public company in the last three years.

**Mr. Lin Zhong (林中)**, age 51, is a vice president of our Group, and is responsible for our key customer accounts. He graduated from Zhengzhou Institute of Technology (鄭州工學院) in 1983. He was engaged by Sinopec as a senior engineer in 1996. From 2003 to 2005, he pursued further studies at Dalian University of Technology (大連理工大學) on a part-time basis and obtained a master's degree in engineering. In 2003, he was awarded with the qualification of (investment) consultant engineer jointly recognized by various authorities such as the Ministry of Personnel and the State Development and Reform Commission of the PRC and automatic engineer recognized by China Association. Mr. Lin joined our Group as a deputy general manager of Wison Engineering in July 2006 and he has 26 years' experience in the petrochemicals industry. Mr. Lin did not hold any directorship in any listed public company in the last three years.

**Mr. Xia Wenji (夏文基)**, age 57, is the general manager of Wison Yangzhou, and is currently responsible for the overall supervision of Wison Yangzhou. In 2006, he completed the training course for general managers offered by China Europe Industrial Business School. From 1998 to 2005, Mr. Xia worked at Jiangsu Xinhua where he served as the deputy general manager responsible for sales, the deputy general manager responsible for production department and the general manager responsible for overall operations. He joined our Group as a general manager of Wison Yangzhou in January 2006. Mr. Xia did not hold any directorship in any listed public company in the last three years.

**Mr. Li Jianzhong (李建中)**, age 50, is the deputy general manager of Wison Yangzhou, and is mainly responsible for supervising the Centrifugal Casting Machine Department, the Static Casting Machine Department, the Machining Processing Workshop, the Welding Workshop, the Equipment Department, the Production and Technology Department, and the Quality Control Department of Wison Yangzhou. In 1986, he graduated from Zhengzhou Institute of Technology (鄭州工學院) with a bachelor's degree in Foundry. From 1998 to 2006, he served as the head of the manufacturing technique department and the supervisor of foundry workshop in Jiangsu Xinhua. He joined our Group as a technology deputy general manager of Wison Yangzhou in January 2006. Mr. Li did not hold any directorship in any listed public company in the last three years.

**Mr. Zhou Hongliang (周宏亮)**, age 43, is a senior vice president of our Group, and is mainly responsible for supervising the operations of the project management, quality safety, procurement and construction management departments and design center. He graduated from Liaoning Shihua University (遼寧石油化工大學), formerly known as the Fushun Petroleum Institute (撫順石油學院) in 1991. He obtained the qualification of constructor from the Ministry of Construction of the PRC (中華人民共和國建設部) in 2006. From 2002 to 2004, Mr. Zhou worked as a deputy manager in the Ethylene Project Team in SECCO (上海賽科石油化工有限責任公司). Mr. Zhou joined our Group in January 2005 as a manager of the construction management department of Wison Engineering and was appointed as the deputy general manager of Wison Engineering in January 2008. He has 20 years' experience in the petrochemicals industry. Mr. Zhou did not hold any directorship in any listed public company in the last three years.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Yang Zhimin (楊志敏)**, age 54, is a vice president of our Group and a general manager of Henan branch of Wison Engineering. He is mainly responsible for the supervision of the operations of Henan branch office of Wison Engineering and the management of the business qualifications of Wison Engineering. He graduated from Lanzhou Petroleum College (蘭州石油學校) in January 1979. In July 2001, he completed a postgraduate course offered by the CPC Henan Provisional Committee Party School (中共河南省委黨校). Mr. Yang has over 30 years of experience in the petrochemicals industry, in particular petrochemicals design and management. He successively served as technician, engineer, senior engineer, senior engineer of professor level, dean, party secretary, director of the technology committee, general manager and director. Mr. Yang has won approximately 30 prizes such as scientific and technological progress awards of national, ministerial and provincial levels (國家和省部級科技進步獎) and outstanding engineering consulting and design awards (優秀工程設計諮詢獎). He has obtained various titles such as “Cross-century Pioneer in academics and technology (跨世紀學術和技術帶頭人)” from Henan province in 1999, “Expert in special allowance (特殊津貼專家)” by the Central People’s Government of PRC (中華人民共和國國務院) in 2002, “Nationwide Chemical Engineering Pioneer Worker” (全國石化工業先進工作者) from the Human Resources Department of China (中國人力資源部) in 2008, the Top-100 Elite (中國工業經濟年度百名優秀人物), State-registered consultant engineer and State-registered mechanical engineer titles in 2008 and 60<sup>th</sup> Anniversary of Nationwide Engineering Design Industry “Top Ten Entrepreneurs” (全國工程設計行業國慶60周年“十佳現代管理企業家大獎”) in 2009. He joined our Group as a deputy general manager of Wison Engineering and a general manager of Henan branch office of Wison Engineering in November 2007. Mr. Yang did not hold any directorship in any listed public company in the last three years.

**Mr. Cui Ying (崔穎)**, age 40, is a senior vice president of our Group. He is mainly responsible for supervising our Company’s technology management department and research and development center. He graduated from Shanghai Railway University (上海鐵道大學) with a bachelor’s degree in telecommunications engineering in 1994 and completed a master’s degree in telecommunications signal processing from Shanghai Railway University (上海鐵道大學), (which subsequently merged with Tongji University (同濟大學)) in 1997. He completed an executive master of business administration in the Olin Business School of Washington University in St. Louis. From 1997 to 2000, he worked in the Shanghai branch of China Unicom Group Co., Ltd. (中國聯通上海分公司). From 2000 to 2001, he was employed by Lucent Technologies (China) Co., Ltd. (朗訊科技(中國)公司). From 2001 to 2004, Mr. Cui worked as a marketing senior management at China Netcom (中國網通). From 2005 to 2009, he was appointed by IBM Global Business Services as a managing consultant. Mr. Cui joined our Group as director of sales and marketing in July 2009. Mr. Cui did not hold any directorship in any listed public company in the last three years.

**Mr. Yang Guangping (楊廣平)**, age 46, is a vice president of our Group and the general manager in the International Business Division II of Wison Engineering. He is mainly responsible for marketing, mobile investment information and relationship coordination in the Middle East and South Asia regions. Mr. Yang graduated from Dalian University of Technology (大連理工大學) with a bachelor’s degree in chemical machinery in 1988. From 2003 to 2005, he worked as an equipment engineer at Chemtex China. He joined our Group in 2005 and worked as a procurement department manager in Wison Engineering where he was

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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mainly responsible for the procurement, quality control and dispatch of the project materials. Mr. Yang has 23 years' experience in the petrochemicals industry. Mr. Yang did not hold any directorship in any listed public company in the last three years.

**Mr. Sun Xiaoguang (孫曉光)**, age 51, is a vice president of our Group. He is responsible for our key customer accounts. Mr. Sun graduated from the Hydrogeology School of Heilongjiang University with a major in engineering geology and hydrogeology in 1983. He was previously an assistant general manager of China Petroleum Daqing Coal Chemical Company. He joined our Group in 2004 as project manager in Wison Engineering. Mr. Sun has 29 years' experience in the petrochemicals industry. Mr. Sun did not hold any directorship in any listed public company in the last three years.

**Mr. Yang Dechang (楊德昌)**, age 47, is an assistant president of our Group and procurement general manager of Wison Engineering. He is mainly responsible for the administrative management and projects procurement management of Wison Engineering. Mr. Yang graduated from Zhengzhou Institute of Technology (鄭州工學院) with a bachelor's degree in Foundry in 1984. He obtained the qualification of supervisory engineer in 1998 from the Ministry of Construction of the PRC (中華人民共和國建設部) and the qualification of constructor in 2005 from the Ministry of Personnel and the Ministry of Construction of the PRC. He obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. He obtained the qualification of senior engineer from China Petrochemical Corporation in 1997. Mr. Yang joined our Group in 2002 and worked in Wison Engineering as project manager, manager in the Engineering Division, manager in the Projects Control Division and manager in Commercial Division. Mr. Yang has 28 years' experience in the petrochemicals industry. Mr. Yang did not hold any directorship in any listed public company in the last three years.

**Mr. Li Yansheng (李延生)**, age 47, is an assistant president of our Group and the technical director of Wison Engineering. He is mainly responsible for the technical operations of Wison Engineering. Mr. Li graduated from Qingdao University of Science & Technology (青島化工學院) with a bachelor's degree in organic chemical engineering. Mr. Li also obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. Mr. Li then obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in 2010. Prior to joining our Group, Mr. Li worked at Qilu Petrochemical Engineering Company as engineer from 1987 to 2004. Mr. Li joined our Group in 2004, to work at the technical department of Wison Engineering. He then worked in the design management department and technical management department of Wison Engineering as a manager and vice chief engineer in 2005 and 2006, respectively. Since 2008, Mr. Li has been working at Wison Engineering as an assistant of general manager and technical director. Mr. Li also received various awards such as Technical Progress Award (科技進步獎) from All-China Federation of Industry & Commerce (中華全國工商業聯合會) in 2010 and the nationwide outstanding chemical engineering worker (全國化工優秀科技工作者) from China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) in 2010. Mr. Li did not hold any directorship in any listed public company in the last three years.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Man Tangquan (滿堂泉)**, age 49, is an assistant to president of our Group and a project manager of Wison Engineering. He is mainly responsible for the business and project operations of Wison Engineering. Mr. Man graduated from Huadong Petroleum College (華東石油學院) with a bachelor's degree in basic organic chemical engineering in 1984. Mr. Man has 27 years' experience in the petrochemicals industry. Mr. Man did not hold any directorship in any listed public company in the last three years.

**Mr. Dong Hua (董華)**, age 44, is a vice president of our Group and the general manager of the international business division I of Wison Engineering. He is mainly responsible for the business operation and subsidiaries operation in Southeast Asia and the Americas and domestic foreigner investment projects. Mr. Dong graduated from Lanzhou Petroleum College (蘭州石油學校) with Petrochemical Equipment major in 1988 and subsequently graduated from China Three Gorges University (三峽大學) with a major in law in 2006. Mr. Dong obtained Project Management Professional Certificate from Project Management Institute. Mr. Dong obtained management related program certificates from Fudan University (復旦大學) and Euro-China International Business College (中歐國際商學院). Mr. Dong has 23 years' experience in the petrochemicals industry. Mr. Dong did not hold any directorship in any listed public company in last three years.

**Mr. Li Baoyou (李保有)**, age 47, is a vice president of our Group and the general manager of the industrial furnace division of Wison Engineering. Mr. Li graduated from Beijing University of Chemical Engineering (北京化工學院) with a bachelor's degree in polymer chemicals in 1988. Mr. Li also obtained a certificate of attending serial courses of business administration master from Guanghai School of Management in 2008. Mr. Li joined our Group in 2004 as a senior engineer of the industrial furnace affairs department of Wison Engineering. Mr. Li has 24 years' experience in the petrochemicals industry. Mr. Li did not hold any directorship in any listed public company in the last three years.

**Ms. Luk Wai Mei (陸慧薇)**, MPA, BBA(Hons), CPA, CPA(Aust), ACS, ACIS, age 46, is the company secretary of our Company. Ms. Luk is mainly responsible for overseeing our Group's internal controls, compliance with the Listing Rules and other relevant laws and regulations, compliance with financial reporting requirements, disclosure and reporting, board information and procedures. Prior to joining our Group as company secretary in September 2004, she had accumulated 15 years of accounting and company secretarial experience. From 1998 to 2004, Ms. Luk served as financial controller and company secretary in three companies listed in Hong Kong, Dawnrays Pharmaceutical (Holdings) Limited (stock code: 02348), Sing Lee Software (Group) Limited (stock code: 08076) and Dong Jian Group Holdings Limited (stock code: 00649) (privatized and delisted on July 27, 2007). Ms. Luk is a CPA member of Hong Kong Institute of Certified Public Accountant, 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. Ms. Luk holds a master's degree in professional accounting from the Hong Kong Polytechnic University and a bachelor's degree in business administration from the Chinese University of Hong Kong. Ms. Luk did not hold any directorship in any listed public company in the last three years.

In June 2001, the Stock Exchange made public statements about Ms. Luk and two other directors of Dong Jian Group Holdings Limited ("Dong Jian"), a then listed company. Ms. Luk was criticized by the Stock Exchange for breach of her undertaking to the Stock



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Exchange to comply to the best of her ability with the Listing Rules from time to time in force, and to use her best endeavors to procure that Dong Jian would so comply as Dong Jian failed to disclose to its shareholders and investing public about its failure to use the proceeds raised from its new issue strictly in accordance with the manner stated in its prospectus. One of the other two directors of Dong Jian was, for the same set of events, prosecuted by the SFC and convicted. Our Directors are of the view that Ms. Luk is suitable to act as the company secretary of our Company because (a) the public criticism of Ms. Luk was made more than ten years ago, in June 2001, with respect to events in 1998; (b) Ms. Luk was not involved in any reprimand or prosecution by the SFC other than the public criticism by the Stock Exchange noted above; (c) Ms. Luk has not been found to be in breach of the Listing Rules nor has Ms. Luk been the subject of any disciplinary hearing or investigation by the Stock Exchange or other securities regulators since; and (d) Ms. Luk has demonstrated that she has the requisite knowledge, experience, qualifications and competence to discharge the functions of secretary of our Company since commencement of her employment as the company secretary of our Company on September 18, 2004. Further, since the Stock Exchange's public statement in June 2001, Ms. Luk had not been subject to any regulatory sanctions or any action taken by any professional bodies.

**Ms. Chen Huimei (陳惠梅)**, age 45, is a vice president of our Group and the general manager of the research and development center of Wison Engineering. She is mainly responsible for the technological development of Wison Engineering. Ms. Chen graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in chemistry and chemical engineering in 1989. From 1998 to 2007, Ms. Chen worked at China National Petroleum Corporation (中石油蘭州石化工程公司) as project manager, project director and the manager of the technology management. Ms. Chen joined our Group in 2007 and worked at Wison Engineering as assistant manager of the quality safety assurance department, manager of the technical management department and manager of the research and development center. Ms. Chen has 22 years' experience in the petrochemicals industry. Ms. Chen did not hold any directorship in any listed public company in the last three years.

**Mr. Fan Weijie (范慰頤)**, age 48, is a vice president of our Group and the general manager of the technical consulting division of Wison Engineering. Mr. Fan is mainly responsible for project management. He obtained a profession qualification of architecture general arrangement drawing and logistics (總圖運輸專業) from Xi'an Metallurgy & Architecture College (西安冶金建築學院) in 1986. Mr. Fan also obtained qualification of construction project management from China Exploration & Design Association (中國勘察設計協會). Mr. Fan joined our Group in 2008 as an assistant manager of the design center and became a manager of the technical consulting department in 2011. Mr. Fan has 26 years' experience in the petrochemicals industry. Mr. Fan did not hold any directorship in any listed public company in the last three years.

**Mr. Hua Lingsu (華令蘇)**, age 47, is an assistant president of our Group and the director of the quality, health, safety and environment division of Wison Engineering. Mr. Hua Lingsu is mainly responsible for the health, safety and environment ("HSE") planning and execution for our Group's projects. He graduated from East China University of Science & Technology (華東理工大學) (formerly known as East China Chemical Engineering College (華東化工學院)) with a bachelor's degree in chemical process automation (化工生產過程自動化). From 1988 to 2003, he worked as supervisor in Qilu Petrochemical Engineering Co. Ltd.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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(山東齊魯石化工程有限公司). From 2003 to 2004, he worked as a project manager in China International Water & Electric Corp. (S) Pte. Ltd. (中國國際水利電力新加坡公司). He joined our Group in 2004 and has been responsible for the HSE planning and execution for Wison Engineering's projects. Mr. Hua Lingsu has 25 years' experience in the petrochemicals industry. Mr. Hua did not hold any directorship in any listed public company in the last three years.

### COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our shares.

In addition, our compliance adviser will also provide, among other things, the following services to our Company:

- (a) if required by the Stock Exchange, dealing with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;
- (b) in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advising our Company on its obligations and, in particular, the requirement to appoint an independent financial adviser; and
- (c) assessing the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent we form an opinion that the new appointees' understanding is inadequate, discussing the inadequacies with the Board and making recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment could be subject to extension by mutual agreement.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### AUDIT COMMITTEE

We will establish an audit committee upon Listing with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group and provide advice and comments to the Board.

The audit committee will consist of three independent non-executive Directors, namely, Mr. Liu Ji, Mr. Choy Sze Chung Jojo and Mr. Wu Jianmin. Mr. Choy Sze Chung Jojo is the chairman of the audit committee.

### NOMINATION COMMITTEE

We will establish a nomination committee upon Listing with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises one executive Director, namely, Mr. Hua Bangsong and two independent non-executive Directors, namely Mr. Choy Sze Chung Jojo and Mr. Wu Jianmin. Mr. Wu Jianmin is the chairman of the nomination committee.

### REMUNERATION COMMITTEE

We will establish a remuneration committee upon Listing with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely, Mr. Liu Ji, Mr. Wu Jianmin and Mr. Hua Bangsong, of whom Mr. Liu Ji is the chairman. The board remuneration committee considers and recommends to the Board the remuneration and other benefits paid by our Company to our Directors. The remuneration of all Directors is subject to regular monitoring by the board remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

Each of our executive Directors has entered into a service contract with our Company commencing from the Listing Date for an initial term of three years. Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB4.14 million with a discretionary bonus as determined by the Board and our Remuneration Committee. Particulars of the terms of the above service contracts are set forth in “Appendix VI—Statutory and General Information—Further information about our Directors, management and staff—Particulars of Directors’ service contracts”.

During the years ended December 31, 2009, 2010 and 2011, the aggregate of the remuneration paid and benefits in kind granted to our Directors was approximately RMB1.9 million, RMB2.5 million and RMB4.4 million. Under the current arrangements, the aggregate remuneration and benefits in kind that our Directors are entitled to receive for the financial year ending December 31, 2012 are expected to be approximately RMB2.5 million, excluding any discretionary bonuses that could be paid to our Directors.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### EMPLOYEES

Our number of full-time employees as of December 31, 2009, 2010 and 2011 was 1,223, 1,161 and 1,365, respectively. As of June 30, 2012, we had a total of 1,430 full-time employees, including 615 who were working in technology and engineering team, 45 who were engaged in dedicated research and development, 38 who were engaged in technology management and seven who were engaged in project consultation:

	December 31, 2009	December 31, 2010	December 31, 2011	June 30, 2012
<b>Number of Employees:</b>				
Administration and Management . . . . .	114	116	64	71
Technology and Research and Development . . . . .	501	472	653	705
Procurement . . . . .	93	98	113	111
Sales and Marketing . . . . .	61	80	100	95
Audit and finance . . . . .	46	43	43	41
Project Management . . . . .	235	246	306	329
Production Workshop . . . . .	173	106	86	78
<b>Total</b> . . . . .	<u>1,223</u>	<u>1,161</u>	<u>1,365</u>	<u>1,430</u>

### RELATIONSHIP WITH EMPLOYEES

Our Directors recognize the importance of maintaining a good relationship with our employees. We therefore maintain relationship with our staff through financial rewards and other human resources strategies. The remuneration payable to our employees includes basic salaries and allowances, as well as discretionary bonuses. We also provide continuous training for our staff to enhance their technical skills as well as their knowledge of industry quality standards. We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulty in the recruitment and retention of experienced staff. We believe that we have a good working relationship with our employees.

### STAFF WELFARE AND BENEFIT SCHEMES

The employees of our Company's subsidiaries operating in the PRC are members of a central pension scheme administered and operated by the local municipal government. The subsidiaries are required to contribute approximately 20.0% to 22.0% of their covered payroll to the central pension scheme to fund the retirement benefits. Details of our retirement benefits scheme are set forth in Appendix I.

We must comply with PRC laws and regulations relating to social welfare, including the *Interim Regulations Governing the Receiving and Payment of Social Security* issued by the State Council, which establishes the basic measures for receiving pension payments, medical insurance payments and unemployment insurance payments. Also to be complied with are the *Regulations Governing the Public Housing Reserves* issued by the State Council, which sets out the regulations related to the public housing reserves contributed by employers and employees, and other laws and regulations related to social insurance such as work injury insurance and maternity insurance.

In accordance with applicable PRC national and local regulations, we currently participate in social insurance contribution plans organized by the relevant local governments,

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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under which we are required to pay, in respect of each of our relevant employees, a monthly contribution at a specified minimum rate based on actual income he/she received every month equivalently. However, Wison Yangzhou currently makes contributions to its employees' social insurance with application of one same fixed figure as the income basis as agreed with all employees. Except maternity insurance, Wison Yangzhou currently provides its employees with a pension insurance program, medical insurance program, unemployment insurance program, individual work injury program, and employee public housing reserve contributions.

Some of the employees for whom we have not made full contributions principally include those who have chosen not to make payments towards their pension insurance plans, such as employees who frequently transfer between our different subsidiaries or migrant workers. These employees that have not made payments towards their pension plans will be unable to claim the relevant benefits. We have also not made full contributions for workers that were retrenched by state-owned-enterprises or public service units but still had their contributions made by their former employers.

During the three years ended December 31, 2011 and the eight months ended August 31, 2012, Wison Yangzhou has not paid, or has not been able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund system by its employees. In particular, according to relevant PRC laws and regulations, Wison Yangzhou is responsible for making contribution to the social security and housing fund on the basis of actual salary paid to its employees. However, some of Wison Yangzhou's employees who have houses in the nearby villages are reluctant to make full housing fund contributions and have calculated the amount of their housing fund contributions on a basis that is lower than the salaries received by them. Nevertheless, the local government authority with oversight of Wison Yangzhou has issued a regulatory compliance certificate to Wison Yangzhou, and therefore the risk of Wison Yangzhou being required to make a supplemental contribution or being imposed administrative penalties is low.

Wison Yangzhou's total outstanding amount of past social security obligations is approximately RMB2.6 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012 and the outstanding amount of past housing fund contributions is approximately RMB0.7 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012. As regards the above outstanding payment to the contributions of relevant social insurance, the relevant social insurance authority may order us to pay such outstanding contributions within a prescribed time limit, and pay a late fee equivalent to 0.05% per day for the overdue period; if we fail to pay the outstanding amount within the prescribed time limit, fines equivalent to one to three times the outstanding amount could be imposed on us. Similarly for the outstanding housing fund contributions, we may be ordered by the relevant authority to rectify the situation within a prescribed time limit and pay for the outstanding contributions for the benefit of our employees. In the event we fail to do so, we may be subject to compulsory enforcement from a court.

As of the Latest Practicable Date, we had not received any notice from any of the relevant authorities requiring us to make payments in respect of the outstanding welfare

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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contributions or been penalized for our lack of compliance. The Controlling Shareholders have undertaken to indemnify us for, among other things, any losses or penalties which we may suffer in connection with our non-compliance. In view of the foregoing, our Directors are of the view that our non-compliance will not have a material and adverse impact on our business operations.

The employees for whom we have not made full contributions principally include those who have chosen not to make payments towards their pension insurance plans, such as employees who frequently transfer between our different subsidiaries or migrant workers. These employees that have not made payments towards their pension plans will be unable to claim the relevant benefits. We have also not made full contributions for workers that were retrenched by state-owned-enterprises or public service units but still had their contributions made by their former employers. As we have received a certificate from the local social insurance authority, certifying that we have been in full compliance of our obligations relating to social welfare, our PRC adviser has advised that it is unlikely that we may be subject to penalties or sanctions in respect of our failure to make full contributions. Pursuant to the Social Security Law, an employer not making full contribution to the social security is required to pay the outstanding amount within a time prescribed by the social security fee collection administration, and pay a late fee equivalent to 0.05% per day for the overdue period; if the employer fails to pay the outstanding amount within such time limit, fines will be imposed on the employer, with imposed fines equivalent to one to three times the outstanding amount. Similar to outstanding housing fund contributions, the employer may also be ordered to rectify the situation within a prescribed time limit, and pay for the outstanding contributions for the benefit of the employees. Since the local social security authority and local housing funds authority have respectively issued compliance confirmations, we believe that the risk that Wison Yangzhou will be required to pay an outstanding amount or be imposed administrative penalties is low. Since October 1, 2012, Wison Yangzhou has been making full contributions to the social security and housing funds for all its employees.

Save as disclosed above, we have complied with all applicable national and local laws and regulations relating to social welfare in all material respects.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which options to subscribe for Shares representing up to 10% of the issued share capital of our Company as of the date on which dealings in the Shares commence on the Stock Exchange can be granted to the directors, full-time or part-time employees, consultants and advisers of the companies in our Group. The principal terms of the Share Option Scheme are summarized in “Appendix VI—Statutory and General Information—Share Option Scheme”.



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## **CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

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### **PRE-IPO INVESTMENT**

On July 5, 2011, Wison Holding and the Pre-IPO Investors, namely BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising, Huadian, Huaneng Invesco WLR, Sincere, Hao Peng, Stone Capital and Feixl entered into eight separate Subscription Agreements. Pursuant to the Subscription Agreements, Wison Holding conditionally agreed to issue and the Pre-IPO Investors conditionally agreed to subscribe for the Bonds. The consideration for the Bonds was paid by the Pre-IPO Investors and the Bonds were issued by Wison Holding to the Pre-IPO Investors on July 6, 2011. The gross proceeds of US\$95 million from the investment were intended to fund the discharge or repayment of certain payables and loans owed by Wison Holding group companies (which are not within our Group for the purpose of the Listing) to members of our Group and to fund the payment of fees and expenses due and payable under or in connection with the investment. See “Appendix IV—Summary of Pre-IPO Investment” for further details of the Bonds.

Wison Holding, the issuer of the Bonds, entered into agreements with Huadian on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse and UOB on June 4, 2012 to redeem the Bonds issued to those parties for an aggregate consideration of US\$39,499,421.62, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse and UOB. See “Appendix IV—Summary of Pre-IPO Investment—Redemption of the Bonds issued to Huadian, Huaneng Invesco WLR, Credit Suisse and UOB by Wison Holding” for further details.

The Remaining Pre-IPO Investors have undertaken to terminate the Second Put Option in order to comply with the “Interim Guidance on Pre-IPO Investments Pending Consultation on Possible Listing Rule Amendments” issued by the Listing Committee on October 13, 2010 (reproduced as HKEx Guidance Letter HKEx-GL29-12 on January 16, 2012) (the “Interim Guidance”). On June 1, 2012, Wison Holding, our Company, Wison Investment and Mr. Hua reached an agreement with the Pre-IPO Investors (other than those whose Bonds have been redeemed) to terminate the Second Put Option, pursuant to which the Pre-IPO Investors irrevocably (i) agreed that the Second Put Option and any or all of their rights and interests under the Second Put Option be terminated without any consideration and confirmed that there is no other agreement between Wison Holding, our Company, Wison Investment or Mr. Hua or any of their respective affiliates and the Bond holders in respect of such termination and (ii) agreed that Wison Holding, our Company, Wison Investment and Mr. Hua be released and forever discharged from any obligations whatsoever in respect of the Second Put Option under the terms and conditions set out in the Majority Shareholder Undertakings. See “Appendix IV—Summary of Pre-IPO Investment—Termination of the Second Put Option” for further details.

On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders.

### **SUBSTANTIAL SHAREHOLDERS**

So far as our Directors are aware, immediately following the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment, without taking into account the Shares that could be issued upon the exercise of the Over-allotment Option or Shares which may be

## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

issued pursuant to the options granted under the Pre-IPO Share Option Scheme or under the Share Option Scheme or Shares which may be acquired by any person under the Global Offering which would affect disclosure in this section, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Company/Name of Group Company</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares/amount of registered capital directly or indirectly held/owned<sup>(1)</sup></u>	<u>Approximate percentage of shareholding</u>
Wison Investment . . . . .	Company	Beneficial owner	3,175,520,000(L)	79.39%
Wison Holding <sup>(2)</sup> . . . . .	Company	Interest in controlled corporation	3,175,520,000(L)	79.39%
Mr. Hua <sup>(3)</sup> . . . . .	Company	Interest in controlled corporations	3,175,520,000(L)	79.39%
Ms. Huang Xing <sup>(4)</sup> . . . . .	Company	Interest of spouse	3,175,520,000(L)	79.39%

*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. Pursuant to a term loan facility in an amount of US\$100 million provided by China Minsheng Banking Corp., Ltd., Hong Kong Branch to Wison Holding on November 27, 2012, Wison Holding agreed to procure Wison Investment to give a share mortgage in favor of China Minsheng Banking Corp., Ltd. Hong Kong Branch as security for such loan facility in respect of (a) not less than 20% of the issued share capital of our Company after Listing; or (b) the market value of our Shares equal to or more than the amount of US\$400 million, whichever is higher. The above-mentioned mortgage will be provided to China Minsheng Banking Corp., Ltd., Hong Kong Branch shortly after Listing. According to note 2 to Rule 10.07(2) of the Listing Rules, a controlling shareholder of a listed issuer is not prevented from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan. China Minsheng Banking Corp., Ltd., Hong Kong Branch is an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)).
- (3) Mr. Hua, as the sole shareholder of Wison Holding, is deemed or taken to be interested in the Shares which are beneficially owned by Wison Holding. Pursuant to a loan agreement dated May 28, 2012 entered into between a company wholly-owned by Mr. Hua and Credit Suisse AG, Mr. Hua intended to procure Wison Investment to pledge with Credit Suisse AG for a commercial loan, his shareholding in our Company equivalent to the value of US\$30 million as collateral ("Collateral") after the Listing. For the purpose of calculation, the value of Collateral is computed by reference to the closing price of the Shares constituting the Collateral on the day immediately prior to the date on which such Shares are being deposited with Credit Suisse AG. The above-mentioned collateral will be provided to Credit Suisse AG shortly after Listing. According to note 2 to Rule 10.07(2) of the Listing Rules, a controlling shareholder of a listed issuer is not prevented from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan. Credit Suisse AG is an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)).
- (4) Ms. Huang Xing is the spouse of Mr. Hua. Under the SFO, Ms. Huang Xing is deemed to be interested in the same number of Shares in which Mr. Hua is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalization Issue, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

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## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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### UNDERTAKINGS GIVEN BY THE SHAREHOLDERS

See “Underwriting—Underwriting Arrangements and Expenses—Undertakings to the Stock Exchange pursuant to the Listing Rules” for details of undertaking given by our Controlling Shareholders.

### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group is principally engaged in the business of providing one-stop EPC and PMC solutions to the petrochemicals and coal-to-chemicals industries in the PRC, including design-building and renovating ethylene cracking finances and for the construction of production facilities for ethylene and downstream petrochemical products, coal-to-chemicals and oil refineries (the “Business”).

Mr. Hua is the founder of our Group, an executive Director and one of the Controlling Shareholders. Mr. Hua also controls other companies in other business such as bio-pharmaceuticals, clean energy and heavy industry mainly through Wison Holding, which are not in direct or indirect competition with our Group.

Wison Nanjing’s business includes the manufacture and supply of chemical raw materials such as carbon monoxide, methanol, hydrogen, syngas and sulfur in large quantities to downstream enterprises in the form of close cooperation, with coal as the feedstock and using state-of-the-art clean coal production technologies, which are environmentally friendly with almost zero emission of dust and sulfides. Wison Nanjing focuses on coal-to-chemicals manufacturing instead of our EPC-related business and this distinguishes its business from our Group’s.

Wison Nantong’s business includes offshore marine drilling and production services in the oil and gas industry, including EPC, EM and PC, and PMC. Its business focuses mainly on offshore marine modules, offshore marine drilling rigs and offshore specialized vessels. Wison Nantong focuses mainly on the offshore marine oil and gas segment, which is completely different from the segment targeted by our Group, as the equipment, technologies and procedures required for offshore marine EPC services are completely different from those of our Group’s onshore chemical EPC services.

Zhoushan Wison’s business includes design and construction of offshore drilling rigs and production platforms, design and construction of pile foundation fixed drilling rigs, production platforms and modules, design and construction of offshore floating oil production, storage and offloading equipment, offshore floating storage and offloading equipment, liquefied natural gas vessels and liquefied petroleum gas vessels, design and construction of luxury cruises, design and construction of port machinery and equipment, and alteration and repair and maintenance of various marine engineering platforms. Zhoushan Wison focuses mainly on the offshore marine oil and gas segment, which is completely different from the segment targeted by our Group.

Nanjing Ruigu is a discrete business dedicated to the production segment of the project “cooperative research project for the methanol-to-olefins sets pilot phase” (甲醇製烯烴成套技術中試階段合作研究) and had no other lines of business that competes or is likely to compete, either directly or indirectly, with our Group’s business.

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## **CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

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Based on the business scope of Wison Nanjing, Wison Nantong, Zhoushan Wison, and Nanjing Ruigu, as explained above, our Directors are of the view that there is no excluded business for the purposes of Rule 8.10 of the Listing Rules as the Controlling Shareholder does not have any business that competes or is likely to compete, either directly or indirectly, with our Group's business. The operations of these entities are completely different from those of our Group with a different industry focus and there are no overlapping operations, or management (save for Mr. Hua). Accordingly, there is a clear business delineation between the business of our Group and the business of these entities. Due to the different lines of business, these entities are not included in our Group.

Having considered the following factors, we believe we are capable of carrying on our business independently of the Controlling Shareholders and their associates after the Global Offering.

### **Management Independence**

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Hua, our executive Director and ultimate Controlling Shareholder, is the Chairman of our Board. Except for Mr. Hua, who is also a director of Wison Holding, Wison Investment, Wison Energy (HK), Wison Chemical Technology Limited, Wison Chemical, Wison Heavy Industry Technology Limited and Wison Offshore & Marine, none of our Directors is currently holding or has held a position with the above-mentioned companies during the three years ended December 31, 2011 and the six months ended June 30, 2012. Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) must abstain from voting at the relevant board meetings of our Company in respect of such transactions and must not be counted in the quorum.

In addition, we have an independent senior management team which carries out the business decisions of our Board. Our Directors are satisfied that our senior management team is able to perform its role in our Company independently of the Controlling Shareholders, and our Directors are of the view that our Group is capable of managing our business independently of the Controlling Shareholders after the Global Offering.

### **Operational Independence**

We have established our own organizational structure comprising individual departments, each with specific areas of responsibilities. We have also obtained all necessary qualifications for us to operate our current businesses. Our Group has established independent accounting and financial reporting systems.

Our Group sources raw materials and component parts required for the provision of our services from parties not connected with our Controlling Shareholders, and our Group has its own client base and operates independently through our own sales and marketing network. Our Group does not rely on our Controlling Shareholders for the supply of raw

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## **CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

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materials, components and parts or development of client relationships. We have also established various internal control procedures to facilitate the effective operation of our business.

### **Financial Independence**

Our Group can finance our operations independently and make financial decisions according to our own business needs. Our Directors confirm that, as of the Latest Practicable Date, our Controlling Shareholders have not provided any other financial assistance, including amounts due from and loans to our Group. Upon Listing, there will be no amounts due to/from, or guarantees/security/pledges provided by and/or to our Controlling Shareholders and their associates for any indebtedness of our Group. We believe that we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on the Controlling Shareholders.

Based on the above reasons, our Directors are of the view that our Group is capable of carrying on its business independently from our Controlling Shareholders after the Listing.

### **COMPETITION WITH CONTROLLING SHAREHOLDERS AND DIRECTORS**

As confirmed by our Directors and our Controlling Shareholders, none of them has any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with the current business and the business to be conducted from time to time by our Group.

### **Non-competition deed**

By a non-competition deed dated November 30, 2012, each of the Controlling Shareholders has undertaken that, among others, from the date of execution of the non-competition deed to the date falling two years after the Controlling Shareholders and/or their respective associates are no longer beneficially interested in at least 30% of the issued share capital of our Company:

- (a) he/it will not engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venture, employee, consultant or otherwise) which competes or is likely to compete, either directly or indirectly, with all the business currently carried on by our Group and the business which is identical or similar to, or in direct or indirect competition with, that of any member of our Group from time to time, including, but not limited to, provision of (i) E, PC, EPC, E+PM+C and EM+PC solutions to the coal-to-chemicals industry for design and construction of coal-to-chemicals conversion processing plants; (ii) PC, EPC and PMC solutions to the oil refining industry for design, procurement and construction of oil refining facilities; (iii) E, PC, EPC, PMC, EM+P+C, E+PsCM and PC+technical service solutions to the petrochemicals industry for design, building and renovating ethylene cracking furnaces and for the construction of production facilities for ethylene and its downstream products; (iv) production of heat-resistant alloy tubes and fittings; and (v) EPC and PC services for the enhancement and modification of other chemical engineering processing systems

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## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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and facilities (such as steel and marine engineering projects) (the “Restricted Business”);

- (b) in respect of any of his/its associates, he/it will procure that each of such associates will not engage or otherwise be involved in any Restricted Business;
- (c) he/it or his/its associates will not exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the business currently carried on by our Group and such other businesses as may be carried on by our Group from time to time;
- (d) he/it or his/its associates will not, directly or indirectly, take any other action which constitutes an intentional undue interference with or a disruption of any of our Group’s current business and such other businesses as may be carried on by our Group from time to time, will not, and will procure that its or his associates, either by himself or itself or through another company directly, will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold (in each case, whether acting as an investor, shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any of the Restricted Business both within and outside the PRC;
- (e) he/it will provide all information necessary (including his/its interest in business undertakings and those of his/its associates) for the annual review by the committee comprising the independent non-executive Directors of the compliance and the enforcement of such undertakings by each of Mr. Hua, Wison Holding and Wison Investment;
- (f) he/it will make an annual declaration on compliance with such undertakings in our annual reports; and
- (g) he/it will excuse itself/himself from voting and not be counted as quorum of any meetings of shareholders and/or our Board for consideration and approval of any matters referred to in the non-competition deed which have given or may give rise to conflicts of interest, actual or potential.

The independent non-executive Directors will review, on an annual basis, the Controlling Shareholders’ compliance with the non-competition deed. The decisions on matters reviewed by the independent non-executive Directors relating to the enforcement of the non-competition deed (if any) will be disclosed in our annual report or, where the Board considers it appropriate, by way of an announcement. The disclosure on how the non-competition deed was complied with and enforced is consistent with the principles of making voluntary disclosures in the Corporate Governance Report to be contained in our annual report pursuant to the Listing Rules.



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## SHARE CAPITAL

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The authorized and issued share capital of our Company are as follows:

<i>Authorized share capital:</i>	<i>HK\$</i>
20,000,000,000 . . . . . Shares of HK\$0.10 each	2,000,000,000

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme):

<i>Issued and to be issued, fully paid or credited as fully paid:</i>	<i>HK\$</i>
10,000 . . . . . Shares in issue at the date of this prospectus	1,000
3,519,990,000 . . . . . Shares to be issued pursuant to the Capitalization Issue	351,999,000
480,000,000 . . . . . Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	48,000,000
4,000,000,000 . . . . . Shares	400,000,000

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme):

<i>Issued and to be issued, fully paid or credited as fully paid:</i>	<i>HK\$</i>
10,000 . . . . . Shares in issue at the date of this prospectus	1,000
3,519,990,000 . . . . . Shares to be issued pursuant to the Capitalization Issue	351,999,000
570,000,000 . . . . . Shares to be issued pursuant to the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option)	57,000,000
4,090,000,000 . . . . . Shares	409,000,000

### **Assumptions**

The above table assumes that the Global Offering becomes unconditional, and that the Capitalization Issue is made but takes no account of any Shares which may fall to be issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as described below.

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## SHARE CAPITAL

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For further details of this general mandate, see “Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012”.

### Ranking

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus except in respect of the Capitalization Issue.

### Capitalization Issue

Conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to capitalize an amount of HK\$351,999,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par for 3,519,990,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at close of business on November 29, 2012 (or as they may direct) in proportion as nearly as possible without involving the issue of fractions of Shares to their then respective shareholdings in our Company, and our Directors be authorized to allot and issue such Shares as aforesaid and to give effect to the Capitalization Issue and the Shares to be allotted and issued will rank *pari passu* with all Shares then in issue.

### Share Option Schemes

Our Company adopted the Pre-IPO Share Option Scheme on November 30, 2012. As of the date of this prospectus, Pre-IPO Share Options to subscribe for an aggregate of 197,923,000 Shares had been granted by our Company to 542 grantees. Our Company has conditionally adopted the Share Option Scheme under which options to subscribe for Shares representing up to 10% of the issued share capital of our Company as of the date of listing may be granted to the directors, full-time or part-time employees, consultants and advisers of our Group. The principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are summarized in “Appendix VI—Statutory and General Information—Share Option Scheme” and “Appendix VI—Statutory and General Information—Pre-IPO Share Option Scheme”, respectively.

### General mandate to issue new Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue and before the exercise of the Over-allotment Option; and
2. the aggregate nominal amount of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate.

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## SHARE CAPITAL

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Our Directors may, in addition to Shares which they are authorized to issue under the mandate, allot, issue or deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights under options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, scrip dividend or similar arrangement.

This general mandate to issue Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or
- on the date by which the next annual general meeting of our Company is required by law or the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details of this general mandate, see “Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012”.

### **General mandate to repurchase Shares**

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such aggregate number of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue and before the exercise of the Over-allotment Option.

The mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. Any repurchases by our Company must be made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix VI—Statutory and General Information—Repurchase by our Company of our own securities”.

This general mandate to repurchase Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or
- the date by which the next annual general meeting of our Company is required by law or by the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details, see “Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012”.

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## CORNERSTONE INVESTMENT

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We entered into a cornerstone investment agreement (the “Solar City Cornerstone Investment Agreement”) with a cornerstone investor, Solar City Holdings Limited (“Solar City”) on November 30, 2012. On November 30, 2012, we entered into a cornerstone investment agreement (the “EA Asia Cornerstone Investment Agreement”) with a cornerstone investor, EA Asia Absolute Return Master Fund (“EA Asia”). On December 6, 2012, we also entered into a cornerstone investment agreement (the “CTF Cornerstone Investment Agreement”) with a cornerstone investor, Chow Tai Fook Nominee Limited (“CTF”, and together with Solar City and EA Asia, the “Cornerstone Investors”). The Cornerstone Investors are Independent Third Parties and will not be substantial shareholders of our Company upon Listing and during the six-month period following the Listing Date as described below.

The agreements with the Cornerstone Investors form part of the Placing. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors has or will have, immediately after completion of the Global Offering, a representative on our Board. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer in the event of over-subscription under the Public Offer as described in “Structure of the Global Offering—The Public Offer”.

### **Solar City Holdings Limited**

Solar City has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with HK\$156 million at the Offer Price which shall not be more than the maximum Offer Price of HK\$3.53. Assuming a maximum Offer Price of HK\$3.53, Solar City will subscribe for 44,192,000 Offer Shares, which would represent approximately 1.10% of the Shares issued and outstanding upon completion of the Global Offering, approximately 8.18% of the total number of Offer Shares initially available under the Placing and approximately 7.37% of the total number of Offer Shares initially available under the Global Offering; assuming an Offer Price of HK\$3.16, the mid-point of the indicative Offer Price range, Solar City will subscribe for 49,367,000 Offer Shares, which would represent approximately 1.23% of the Shares issued and outstanding upon completion of the Global Offering, approximately 9.14% of the total number of Offer Shares initially available under the Placing and approximately 8.23% of the total number of Offer Shares initially available under the Global Offering; and assuming a minimum Offer Price of HK\$2.79, Solar City will subscribe for 55,913,000 Offer Shares, which would represent approximately 1.40% of the Shares issued and outstanding upon completion of the Global Offering, approximately 10.35% of the total number of Offer Shares initially available under the Placing and approximately 9.32% of the total number of Offer Shares initially available under the Global Offering.<sup>(1)</sup> In the announcement of allotment results, we will disclose the number of Shares for which Solar City will subscribe.

Note:

(1) These calculations divide the cornerstone investment by the assumed Offer Price and then round down to the nearest board lot of 1,000 Shares (excluding brokerage fees and levies, in each case, of the total Offer Price, that Solar City will pay). The calculations further assume that the Over-allotment Option and options granted pursuant to the Pre-IPO Share Option Scheme or to be granted pursuant to the Share Option Scheme are not exercised.

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## **CORNERSTONE INVESTMENT**

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Solar City, a company incorporated in the British Virgin Islands, is an affiliate of Peterson Holdings Company Limited, a privately-held conglomerate focusing on real estate development, real estate investment, hotel and financial investments in Hong Kong and in the PRC. The ultimate beneficial owner of Solar City is Mr. Yeung Sai Hong who is an Independent Third Party.

The parties' respective obligations under the Solar City Cornerstone Investment Agreement are conditional upon each of the following having been satisfied at or prior to closing of the Solar City Cornerstone Investment Agreement: (i) the Underwriting Agreements having been entered into, becoming effective and having become unconditional by no later than the time and date as specified in them; (ii) none of the Underwriting Agreements having been terminated; (iii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the closing and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing; and (iv) the respective representations, warranties and confirmations of Solar City and us in the Solar City Cornerstone Investment Agreement remaining accurate and true and not misleading and there being no material breach of the Solar City Cornerstone Investment Agreement by Solar City or our Company.

Solar City has agreed that, without the prior written consent of our Company and each of the Joint Bookrunners, it will not, among other things, at any time during the period of six months from the Listing Date, offer, pledge, charge, sell, lend, transfer, mortgage, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests in the Shares subscribed by Solar City pursuant to the Solar City Cornerstone Investment Agreement, any interests in companies holding such Shares and any shares or other securities of our Company which are derived therefrom or any interest therein, including convertibles, equity linked securities and derivatives with underlying assets being such Shares pursuant to any rights issue, capitalization issue or other form of capital reorganization, or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive, the aforesaid Shares or interests.

### **EA Asia Absolute Return Master Fund**

EA Asia has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with HK\$77.5 million at the Offer Price which shall not be more than the maximum Offer Price of HK\$3.53. Assuming a maximum Offer Price of HK\$3.53, EA Asia will subscribe for 21,954,000 Offer Shares, which would represent approximately 0.55% of the Shares issued and outstanding upon completion of the Global Offering, approximately 4.07% of the total number of Offer Shares initially available under the Placing and approximately 3.66% of the total number of Offer Shares initially available under the Global Offering; assuming an Offer Price of HK\$3.16, the mid-point of the indicative Offer Price range, EA Asia will subscribe for 24,525,000 Offer Shares, which would represent approximately 0.61% of the Shares issued and outstanding upon completion of the Global Offering, approximately 4.54% of the total number of Offer Shares initially available under the Placing and approximately 4.09% of the total number of Offer Shares initially available under the Global Offering; and assuming a minimum Offer Price of HK\$2.79, EA Asia will subscribe for 27,777,000 Offer Shares, which would represent approximately 0.69% of the Shares

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issued and outstanding upon completion of the Global Offering, approximately 5.14% of the total number of Offer Shares initially available under the Placing and approximately 4.63% of the total number of Offer Shares initially available under the Global Offering.<sup>(2)</sup> In the announcement of allotment results, we will disclose the number of Shares for which EA Asia will subscribe.

EA Asia is an investment fund incorporated in the Cayman Islands. It is managed by Elements Advisors Ltd, an investment management company registered with the Hong Kong Securities and Futures Commission.

The parties' respective obligations under the EA Asia Cornerstone Investment Agreement are conditional upon each of the following having been satisfied at or prior to closing of the EA Asia Cornerstone Investment Agreement: (i) the Underwriting Agreements having been entered into, becoming effective and having become unconditional by no later than the time and date as specified in them; (ii) none of the Underwriting Agreements having been terminated; (iii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the closing and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing; and (iv) the respective representations, warranties and confirmations of EA Asia and us in the EA Asia Cornerstone Investment Agreement remaining accurate and true and not misleading and there being no material breach of the EA Asia Cornerstone Investment Agreement by EA Asia or our Company.

EA Asia has agreed that, without the prior written consent of our Company and each of the Joint Bookrunners, it will not, among other things, at any time during the period of six months from the Listing Date, offer, pledge, charge, sell, lend, transfer, mortgage, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests in the Shares subscribed by EA Asia pursuant to the EA Asia Cornerstone Investment Agreement, any interests in companies holding such Shares and any shares or other securities of our Company which are derived therefrom or any interest therein, including convertibles, equity linked securities and derivatives with underlying assets being such Shares pursuant to any rights issue, capitalization issue or other form of capital reorganization, or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive, the aforesaid Shares or interests.

### **Chow Tai Fook Nominee Limited**

CTF has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with HK\$155 million at the Offer Price which shall not be more than the maximum Offer Price of HK\$3.53. Assuming a maximum Offer Price of HK\$3.53, CTF will subscribe for 43,909,000 Offer Shares, which would represent approximately 1.10% of the Shares issued and outstanding upon completion of the Global Offering, approximately 8.13% of the total number of Offer Shares initially available under the

Note:

(2) These calculations divide the cornerstone investment by the assumed Offer Price and then round down to the nearest board lot of 1,000 Shares (excluding brokerage fees and levies, in each case, of the total Offer Price, that EA Asia will pay). The calculations further assume that the Over-allotment Option and options granted pursuant to the Pre-IPO Share Option Scheme or to be granted pursuant to the Share Option Scheme are not exercised.



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Placing and approximately 7.32% of the total number of Offer Shares initially available under the Global Offering; assuming an Offer Price of HK\$3.16, the mid-point of the indicative Offer Price range, CTF will subscribe for 49,050,000 Offer Shares, which would represent approximately 1.23% of the Shares issued and outstanding upon completion of the Global Offering, approximately 9.08% of the total number of Offer Shares initially available under the Placing and approximately 8.18% of the total number of Offer Shares initially available under the Global Offering; and assuming a minimum Offer Price of HK\$2.79, CTF will subscribe for 55,555,000 Offer Shares, which would represent approximately 1.39% of the Shares issued and outstanding upon completion of the Global Offering, approximately 10.29% of the total number of Offer Shares initially available under the Placing and approximately 9.26% of the total number of Offer Shares initially available under the Global Offering.<sup>(3)</sup> In the announcement of allotment results, we will disclose the number of Shares for which CTF will subscribe.

CTF is a company incorporated in Hong Kong and is principally engaged in investment holding business. It is wholly and beneficially owned by Dato' Dr. Cheng Yu-Tung who is an Independent Third Party.

The parties' respective obligations under the CTF Cornerstone Investment Agreement are conditional upon each of the following having been satisfied at or prior to closing of the CTF Cornerstone Investment Agreement: (i) the Underwriting Agreements having been entered into, becoming effective and having become unconditional by no later than the time and date as specified in them; (ii) none of the Underwriting Agreements having been terminated; (iii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the closing and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing; and (iv) the respective representations, warranties and confirmations of CTF and us in the CTF Cornerstone Investment Agreement remaining accurate and true and not misleading and there being no material breach of the CTF Cornerstone Investment Agreement by CTF or our Company.

CTF has agreed that, without the prior written consent of our Company and each of the Joint Bookrunners, it will not, among other things, at any time during the period of six months from the Listing Date, offer, pledge, charge, sell, lend, transfer, mortgage, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests in the Shares subscribed by CTF pursuant to the CTF Cornerstone Investment Agreement, any interests in companies holding such Shares and any shares or other securities of our Company which are derived therefrom or any interest therein, including convertibles, equity linked securities and derivatives with underlying assets being such Shares pursuant to any rights issue, capitalization issue or other form of capital reorganization, or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive, the aforesaid Shares or interests.

Note:

(3) These calculations divide the cornerstone investment by the assumed Offer Price and then round down to the nearest board lot of 1,000 Shares (excluding brokerage fees and levies, in each case, of the total Offer Price, that CTF will pay). The calculations further assume that the Over-allotment Option and options granted pursuant to the Pre-IPO Share Option Scheme or to be granted pursuant to the Share Option Scheme are not exercised.

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The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and the Notes thereto included in the Accountants' Report in Appendix I (the "Accountants' Report") included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Risk Factors".

### OVERVIEW

#### Business Overview

We were the largest private sector chemical engineering EPC service provider in China in terms of revenue in 2011, as estimated by CMAI, an independent industry consultant. In addition, based on the industry rankings compiled by the China Exploration & Design Association, we ranked 17th among all PRC EPC service providers, eighth among all PRC chemical EPC service providers and first among all private sector chemical EPC service providers in the PRC, by 2011 contract revenue.<sup>(1)</sup> The term "chemical EPC service provider" includes companies that provide EPC services to, among others, the petrochemicals, oil refining and coal-to-chemicals conversion processing industries, the three industry segments we principally service. We provide 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 post-sale technical support. Our wide range of services is primarily offered to the following industries:

- Petrochemicals: Petrochemical products can broadly be classified into two categories: (i) olefins, including ethylene and propylene; and (ii) aromatics, including benzene, toluene and xylene isomers. These base chemicals can be further processed to manufacture thousands of downstream petrochemical products used in daily life.
- Oil refineries: Oil refining is a process where crude oil is processed and refined into more useful petroleum products, which can be grouped into three categories: (i) light distillates, including liquefied petroleum gas, gasoline and naphtha; (ii) middle distillates, including kerosene and diesel; and (iii) heavy distillates and residuum, including heavy fuel oil, lubricating oils, wax and asphalt.
- Coal-to-chemicals: Coal-to-chemicals refers to the process of producing chemicals from coal. The major coal-to-chemicals processes utilized in China include coal-to-methanol, coal-to-olefins, coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. Recently, the focus in China has been shifted to MTO and

*Note:*

(1) We are not aware of any more recent ranking provided by China Exploration & Design Association and we have no reason to believe that the latest ranking is no longer accurate.

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MTP processes that produce the same chemical products, such as ethylene and propylene, as the petrochemical facilities, due to better cost efficiencies and greater demand for these chemicals.

We also provide EPC and PC services, on an ad hoc basis, to other industries, such as steel and marine engineering projects. Our subsidiary, Wison Yangzhou, manufactures heat-resistant alloy tubes and fittings for the projects we undertake, in addition to supplying to third party purchasers, primarily in the petrochemicals industry.

In the provision of our wide range of services described above, our role on a project is typically to act as a “general contractor”. We do not consider ourselves to be a construction firm and we typically sub-contract construction work to specialized construction sub-contractors. Our employees are principally involved in engineering, design implementation, procurement of raw materials and equipment and supervision of construction. We can provide complete solutions based on the EPC service model or a part of it, such as engineering and procurement (EP) or procurement and construction management (PC), corresponding to specific client needs. We can also provide project management construction (PMC) services, where we charge a fee for our project management services while our clients assume the cost of procurement and construction.

We believe we have maintained a high level of client satisfaction, completing almost all of our major construction projects during the three years ended December 31, 2011 and the six months ended June 30, 2012 on or ahead of clients’ expectations, with a high safety record, while meeting the technical specifications required by our clients. We have also actively sought the development of long-term relationships with our key clients, who have principally been affiliates of the industry leaders in the PRC petrochemicals market. By working as a partner with our key clients on many of their production facilities, we have increased our understanding of their overall business needs, as well as the unique technical requirements of their projects. This relationship approach also helps us understand the risks and specific requirements inherent in their projects, which in turn allows us to better satisfy their specific requirements and manage the risks specific to each project.

### RECENT DEVELOPMENTS

The following table sets forth certain of our unaudited financial information, for the eight months ended August 31, 2012 as extracted by us from the August 2012 Financial Statements.

	Eight months ended August 31, 2012
	<i>(unaudited, RMB in millions, except percentage)</i>
<b>Revenue by business segments:</b>	
Petrochemicals .....	194.0
Oil refineries .....	156.8
Coal-to-chemicals .....	1,064.5
Other products and services .....	224.7
<b>Total Revenue</b> .....	<b>1,640.0</b>
<b>Gross Profit</b> .....	359.0
<b>Gross Profit Margin</b> .....	21.9%

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The following table sets forth our unaudited backlog as of August 31, 2012.

	As of August 31, 2012 <i>(unaudited, RMB in millions)</i>
<b>Backlog by business segments:</b>	
Petrochemicals .....	5,583.6
Oil refineries .....	5,931.7
Coal-to-chemicals .....	17,300.6
Other products and services .....	<u>1,088.2</u>
<b>Total</b> .....	<u><u>29,904.1</u></u>

In the eight months ended August 31, 2012, coal-to-chemicals was our largest business segment by revenue, followed by other products and services, petrochemicals and oil refineries. Our unaudited total revenue, exclusive of inter-segment sales, in the eight months ended August 31, 2012, was RMB1,640.0 million, comprising RMB194.0 million, RMB156.8 million, RMB1,064.5 million and RMB224.7 million, respectively, for each of our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments, compared to the eight months ended August 31, 2011 where our unaudited total revenue, exclusive of inter-segment sales, was RMB2,361.3 million, comprising RMB791.1 million, RMB1,322.3 million, RMB236.8 million and RMB11.1 million, respectively, for each of our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments. The decrease in revenue for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011. As a result, the contract revenue of our projects in the petrochemicals business segment decreased significantly in the eight months ended August 31, 2012. The decrease in oil refineries was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phase by the end of 2011. As a result, the contract revenue of our projects in the oil refineries business segment also decreased significantly in the eight months ended August 31, 2012. The increase in coal-to-chemicals was primarily due to our commencing Projects 46 (Baoji Methanol Project) in March 2011, 52 (Erdos Guotai Chemical Coal-to-Methanol Project) in December 2011 and 54 (Pucheng Polyethylene Plant Project) in March 2012. As a result, while Project 46 (Baoji Methanol Project), 52 (Erdos Guotai Chemical Coal-to-Methanol Project) and 54 (Pucheng Polyethylene Plant Project) did not contribute or did not contribute significantly to our revenue in the eight months ended August 31, 2011, they contributed significantly to our revenue in the eight months ended August 31, 2012. The increase in the other products and services was primarily due to our commencing Project 58 (Zhoushan Wison Marine Engineering Base Project) in May 2012. As a result, while Project 58 (Zhoushan Wison Marine Engineering Base Project) did not contribute to our revenue in the eight months ended August 31, 2011, it contributed significantly to our revenue in the eight months ended August 31, 2012.

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Since June 30, 2012, the following three major projects have begun their principal construction phases and, as a result, they are expected to contribute significantly to our revenue in the second half of 2012.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
(1) Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project)	Coal-to-Chemicals					-----		
(2) Project 54 (Pucheng Polyethylene Plant Project)	Coal-to-Chemicals					-----		
(3) Project 58 (Zhoushan Wison Marine Engineering Base Project)	Other products and services					-----		

Project 46 (Baoji Methanol Project) has continued its principal construction phase during the second half of 2012 and, as a result, it has continued contributing significantly to our revenue in this period.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012	December 31, 2012	June 30, 2013	December 31, 2013
Project 46 (Baoji Methanol Project)	Coal-to-Chemicals					-----		

In the eight months ended August 31, 2012, our unaudited gross profit and unaudited gross profit margin were RMB359.0 million and 21.9%, respectively, compared to RMB545.0 million and 23.1%, respectively, in the eight months ended August 31, 2011. In the eight months ended August 31, 2011, our unaudited gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments were 22.1%, 22.3% and 31.4%, respectively, compared to 21.2%, 14.8% and 24.7%, respectively, in the eight months ended August 31, 2012. The slight decrease in the gross profit margin in petrochemicals was primarily attributable to the model and mix of services we undertook at such periods. The decrease in the gross profit margin in oil refineries was primarily attributable to adjustments in our cost recognition at the end of the principal construction phases for projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, when miscellaneous additional costs associated with fine tuning the machinery and equipment and with small modifications to various project installations were recognized. The slight decrease in the gross profit margin in coal-to-chemicals was primarily attributable to the model and mix of services we undertook during these periods.

Our unaudited backlog, which represents our estimate of contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT, as of August 31, 2012, was RMB29,904.1 million, of which backlog in our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments was RMB5,583.6 million, RMB5,931.7 million, RMB17,300.6 million and RMB1,088.2 million, respectively, compared to RMB5,630.2 million, RMB5,964.4 million,



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RMB16,566.5 million and RMB1,082.4 million as of June 30, 2012. A breakdown of our backlog as of August 31, 2012 by major clients, each accounting for more than 19.0% of our backlog as of that date, is as follows: of our unaudited backlog as of August 31, 2012, RMB10,484.4 million, or 35.1%, was attributable to Jiangsu Sailboat Petrochemical Co., Ltd., RMB7,603.3 million, or 25.4%, was attributable to China Chengda Engineering Co., Ltd., and RMB5,863.1 million, or 19.6%, was attributable to PDVSA Petróleo, S.A. Our dependency on the PetroChina and Sinopec groups diminished during this period. Of our unaudited backlog as of August 31, 2012, RMB149.6 million, or 0.5%, was attributable to PetroChina and its subsidiaries, on a group basis, and RMB32.1 million, or 0.1%, was attributable to Sinopec and its subsidiaries, on a group basis.

Our unaudited total new contract value, which represents the aggregate value of the contracts that we have entered into during a specified period, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012, was RMB20,053.0 million, of which new contract value, net of estimated VAT, in our petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments was RMB399.6 million, RMB5,929.5 million, RMB12,415.0 million and RMB1,308.9 million, respectively, compared to RMB384.1 million, RMB5,929.5 million, RMB11,131.8 million and RMB1,161.2 million, respectively, in the six months ended June 30, 2012. Of our RMB20,053.0 million in new contract value, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012, approximately RMB105.5 million was attributable to PetroChina and its subsidiaries, on a group basis, and RMB46.0 million, was attributable to Sinopec and its subsidiaries, on a group basis.

While substantially all of our revenue continued to be derived from projects within the PRC, we have also made significant progress abroad. Among the new major projects we have been awarded in the eight months ended August 31, 2012, two projects were located in Saudi Arabia and one was located in Venezuela, the contracts of which were signed in the second quarter of 2012, indicating that our knowledge and expertise are gaining international acceptance. See “—New Projects” below for more detailed descriptions of the projects that have been awarded to us since June 30, 2012.

Our business and financial results have been subject to volatility during the three years ended December 31, 2011 and the six months ended June 30, 2012, compounded in part, by the nature of our business which consists, at any time, of a limited number of projects governed by contracts each of which may have a relatively large contract value and due to the scheduling of the principal construction phases of the major projects. See, for example, “—Factors Affecting Our Results of Operations and Financial Condition—Business Fluctuations” and “—Limited Number of Large Projects” and “Risk Factors—Risks Relating to Our Business—We do not have full control over the commencement time and various milestones of a construction project, which could delay our receipt of revenue and completion of our projects” and “—We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment”. During recent periods subsequent to June 30, 2012, we have experienced progress delays in relation to two of our major projects, caused by unexpected bad weather and longer than expected time in obtaining financing on the part of the project owner. In addition, several new projects for which we anticipate signing have not materialized as quickly as we originally expected due to prolonged approval processes by the government and the project owner. **The occurrence of these unanticipated factors**



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**subsequent to June 30, 2012 can be expected to affect our revenue and profitability in the near term.** However, we have no reason to believe that there has been any event subsequent to June 30, 2012 that would cause any material adverse change in our business and operations going forward.

Furthermore, in November 2012, PDVSA Petróleo, S.A. confirmed to us in a letter that it is considering awarding to Wison Engineering the site preparation contract relating to Project 40 (Deep Conversion Project, Puerto La Cruz Refinery) subject to (a) agreement on the details of the relevant contract with us and (b) our assisting in arranging project financing relating to the relevant contract. We are in the process of negotiating the terms of the site preparation contract with PDVSA Petróleo, S.A. and liaising with a PRC bank for financing for the project. There is no assurance that such contract will be awarded to us.

Our Directors confirm that except as otherwise disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012 and no event has occurred since June 30, 2012 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I.

### NEW PROJECTS

Since June 30, 2012, we have been awarded the following major contracts in the coal-to-chemicals business segment:

- Pucheng Public Utility and Ancillary Facilities Project: We entered into an EM+PC contract with PuCheng Clean Energy Chemical Co., Ltd. for engineering management, procurement and construction services for a 700kta coal-to-olefins public utility project and ancillary facilities in Shaanxi Province, China in August 2012. This coal-to-chemicals project commenced in August 2012 and is expected to be completed around September 2013.
- Yang Coal Olefin Separation Unit Project: In August 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on both basic design and detailed design with Shandong Yang Coal Hengtong Chemical Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for its 300kta methanol to olefins plant in Shandong Province, China. The technology license, process design package compilation and technology service contract commenced in August 2012 and is expected to be completed around January 2013. The engineering design contract commenced in August 2012 and is expected to be completed around October 2013.
- Shenhua Xinjiang Olefin Separation Unit Project: In September 2012, we signed a technology license, process design package compilation and technology service contract and an engineering design contract on overall design and basic design with the Xinjiang and Beijing branches of China Shenhua Coal to Liquid and Chemical Co., Ltd. to implement our MTO light olefins separation technologies in constructing an olefin separation unit for their 680kta new coal-based materials

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project in Xinjiang, China. The technology license, process design package compilation and technology service contract commenced in September 2012 and is expected to be completed around February 2013. The engineering design contract commenced in September 2012 and is expected to be completed around May 2013.

- Yantai Wanhua 750kta Propane Dehydrogenation Plant Furnace Project: We entered into an EP contract with Yantai Wanhua Polyurethanes Co., Ltd. for engineering and procurement services for a 750kta propane dehydrogenation plant furnace of its propylene oxide and acrylate integration projects Shandong Province, China, in November 2012. This petrochemicals project commenced in October 2012 and is expected to be completed around June 2014.

The unaudited total new contract value, net of estimated VAT, for the contracts awarded to us in the eight months ended August 31, 2012 was RMB20,053.0 million.

### **BASIS OF PRESENTATION**

We conduct substantially all of our business through our subsidiaries, Wison Engineering and Wison Yangzhou. We became the holding company of these subsidiaries pursuant to the Corporate Reorganization more specifically described in “History, Reorganization and Group Structure” and in “Appendix VI—Statutory and General Information—Further information about our Company”. The financial information included in this prospectus is prepared in accordance with IFRS based on our audited financial statements, and, where appropriate, the management accounts of the companies now constituting our Group. The financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. Acquisition of subsidiaries under common control has been accounted for using the merger method of accounting, which involves incorporating the financial statement items of the consolidating entities in which common control consolidation occurs as if they had been consolidated from the date when the consolidating entities first came under the control of the controlling party. The net assets of the entities are consolidated using the existing book values from the controlling party’s perspective. No amount is recognized in respect of goodwill or the excess of the acquirer’s interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation. The consolidated statements of comprehensive income include the results of each of the entities from the earliest date presented, regardless of the date of the common control transaction.

In this prospectus, unless otherwise stated, references to our financial statements mean the audited consolidated financial statements of our Group as of and for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

#### **PRC’s Industry Trends and Regulatory Policies**

Almost all of our clients at present are based in the PRC and almost all of our income during the three years ended December 31, 2011 and the six months ended June 30, 2012 was generated from the PRC. Demand for our services depends on the level of activities and capital expenditures in the PRC petrochemicals, oil refining and coal-to-chemicals industries, which, in turn, are affected by the regulatory environment in the PRC, as our clients are

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predominantly PRC state-owned enterprises whose capital expenditures often follow the PRC government's policies, planning and industry construction cycles. Some of the PRC government's policies and planning are as follows:

- In the petrochemicals industry, despite the rapid increase in ethylene capacity between 2006 and 2010, China has not been able to achieve self-sufficiency in ethylene supply, and ethylene and its derivatives are imported in significant quantities to fulfill China's petrochemicals demand. Going forward, CMAI estimates that China will add 60 to 75 new furnaces between 2012 and 2016.
- In the oil refining industry, China is a major net importer of crude oil and has a policy of achieving rough balance for supply and demand of refining products, especially for gasoline, diesel and kerosene. Currently, many oil refineries are under different stages of development and China's oil refining capacity is expected to grow from 542.0 million tons per year in 2011 to 760.0 million tons per year in 2016 and to 940.0 million tons per year in 2021, as estimated by CMAI.
- In the coal-to-chemicals industry, given the abundance of coal resources in China, the evolution of, and improvement in, coal-to-chemicals technology, the economics to convert coal to chemicals, plus the comparatively higher prices for crude oil and liquid natural gas, CMAI expects the PRC government to rely on China's significant coal resources to generate chemicals to allow it to be less dependent on petroleum-based feedstock. Indeed, there are numerous coal-to-olefins projects planned and currently under study. On the other hand, the PRC government is also becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not justify the environmental impact. In the case of coal-to-olefins, the technology is newly developed and there may be undiscovered risks. The PRC government has updated its policy on coal-to-chemicals investment approvals on March 23, 2011, restricting investments to specified large scale projects for the various coal derivative technologies — with a minimum scale of 500kta of olefins in the case of coal-to-olefins. This regulatory change will affect the implementation of various coal-to-chemicals initiatives, with some projects likely to be delayed and others cancelled, as estimated by CMAI.

In addition, our clients and the PRC government typically review and approve budgets in the first half of the calendar year and award bids for projects in the second half of the calendar year. All of the above factors and their effects could have an impact on our business, results of operations and financial condition.

### **Limited Number of Large Projects**

Due to the nature of our business, at any given time we are likely to be working on a limited number of projects governed by contracts each of which may have a relatively large contract value. As a result, factors such as unexpected weather conditions, problems with obtaining adequate raw materials, parts or equipment or problems with any construction sub-contractor that have an effect on our performance of a contract either in terms of timing of recognition of revenue or receipt of payment, or on contract terms, such as late performance

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penalties, can have a significant effect on our overall business, results of operations and financial condition. In addition, even in the absence of any negative factors, the natural result of our having limited numbers of large contracts is that we may experience significant volatility in our aggregate revenue, expenses, profitability and cash flow from time to time, making efforts to compare our results from period to period more difficult and subject to uncertainty.

### Timing of Our Cash Flow and Revenue Recognition

Our existing contracts and new contracts for EPC services and the time frame in which each project enters into its principal construction phase have a significant effect on our revenue. Our operations could require us to utilize large sums of working capital, sometimes on short notice and sometimes without the ability to recover the expenditures on a prompt basis. For instance, in order to ensure construction progress, we may sign procurement contracts with raw materials and equipment suppliers that require immediate cash expenditure at the early stage of a project where the advances received from our client may not be sufficient to cover such expenses. See “Risk Factors—Risks Relating to our Business—We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs”. Due to these timing mismatches, our cash flows from operating activities are relatively uneven, rather than steady and consistent, and therefore we may have to rely on short-term bank borrowings to fund a portion of our working capital requirements. We expect to continue to do so in the future.

The manner in which we recognize revenue and cost in a construction contract is typically measured by reference to the percentage of completion of the relevant project, which may not closely correspond to the cash flows we receive, which are driven by the terms of our contracts and the payment practices of our clients. Recognition of revenue from fixed price construction contracts is measured by reference to the proportion of costs incurred to a particular date to the estimated total cost of the relevant contract.

A typical engineering and construction contract includes a schedule of progress billings, according to which we send progress billings for clients’ confirmation based on the agreed payment schedules or milestones as stipulated in the contract. Once confirmed by a client, the confirmed amount will become an account receivable until payment is made by the client. As such, progress billings are not directly related to the percentage of completion. Where progress billings exceed contract costs incurred to date plus recognized profit less recognized losses, the surplus is treated as an amount due to contract customers. Generally, in each of the projects we undertake, we experience higher levels of amounts due to contract customers at the early stage of a project when our progress billings, including those for advance payment, exceed revenue recognized. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers, until the progress billings are issued to and confirmed by the relevant clients in accordance with the billing milestones specified in the contract at which point, the relevant amounts migrate to trade and bills receivables. We typically issue progress billings for our clients to confirm after we reach a billing milestone and they generally take approximately 30 to 60 days to review and confirm the progress billings. As a result, immediately after a project’s principal construction phase, when our recognized revenue typically exceeds our progress billing, we tend to experience high levels of amounts due from contract customers. Amounts due from a contract customer may not be matched by

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cash flow until the project is completed and the warranty period, which on average is about 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production, has expired.

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates mainly due to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China's north and northeast regions) and the PRC government do not normally begin to review and approve its budgets until after the Chinese new year, the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of the calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year. Further, any significant or prolonged adverse weather conditions that negatively affect construction activities or slow the growth of new construction business could have a material adverse effect on our business, results of operations and financial condition.

### **Costs of Raw Materials, Parts and Equipment and Construction Sub-Contractors**

The major components of our contract costs include costs of raw materials, parts and equipment and construction sub-contractors. Our profitability is affected by our ability to procure raw materials, parts and equipment and construction sub-contractors at commercially reasonable prices. We derive a majority of our revenue from fixed price contracts, pursuant to which we provide solutions to our clients at all-inclusive fixed prices. While we generally secure fixed price contracts from our raw material, parts and equipment suppliers as well, our actual costs for the execution of a fixed price contract may differ from our estimates at the time we tendered our bids and be higher than the fee payable to us under such contract. The raw materials and parts we use in our operations include stainless steel, copper, alloy materials, valves and industrial meters, among others, and the costs of these materials, parts and equipment and construction sub-contractors fluctuate depending on changes in supply and demand. Because we purchase our raw materials from third party suppliers, we are exposed to fluctuations in market prices resulting from changes in supply and demand and other factors. Unexpected increases in raw materials, parts and equipment costs and costs for construction sub-contractors may cause our actual costs to exceed estimated costs. If we are not able to pass on these additional costs to our clients, our business, results of operations and financial condition could be adversely affected.



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### Model of Services Provided

We provide a wide array of services, including engineering, procurement and construction management (EPC), engineering and management consulting (EM), engineering and procurement (EP), procurement management consulting (PM), procurement and construction management (PC) and project management contracting (PMC) that can be mixed and matched according to project owners' specific needs. Our gross profit margin for a given period is affected by the type and scope of services provided in different projects undertaken during the period. Generally engineering and management services yield higher gross profit margins, followed by procurement and construction management services. However, given the complexity of the different services provided and the different combinations of services that can be included in each project, we cannot make broad generalizations about the relative profitability of different types of services.

### Business Segment Mix

Our business spans three principal segments to mitigate the impact of the cyclical nature of the petrochemicals industry. Revenue contributed from our petrochemicals, oil refineries and coal-to-chemicals business segments was 73.6%, 11.0% and 11.2% of our total revenue, respectively, in 2009, 57.5%, 41.2% and 0.6%, respectively, in 2010, and 32.2%, 48.6% and 18.9%, respectively, in 2011 and 15.1%, 14.5% and 60.5%, respectively, in the six months ended June 30, 2012. See “—Description of Components of Results of Operations—Revenue” for more detailed analysis. The number of projects we undertake within a particular business segment may vary due to a variety of factors including, but not limited to, prices of crude oil and coal-based feedstock and the industrial policies and regulatory trends being enforced at the time. Our profit margin in a particular business segment during a given period could also depend on the mix of services we provide in that segment during the given period. Due to the complexity of the plant design and engineering requirements, we generally provided more engineering and management services to petrochemicals and coal-to-chemicals projects than to oil refineries projects in the three years ended December 31, 2011. In the coal-to-chemicals business segment, we experienced significant revenue fluctuation during the three years ended December 31, 2011 and the six months ended June 30, 2012, primarily because we were engaged in a limited number of major coal-to-chemicals projects during that period. As a result, the fluctuation in revenue in this segment was more pronounced than in other segments. Nevertheless, we believe the future outlook for the coal-to-chemicals business segment is positive and our revenue derived from this business segment has been growing since 2011.

### Competition

While we believe there is a limited number of domestic EPC solution providers in China that operate within the EPC sector that are able to undertake projects for petrochemicals, oil refining and coal-to-chemicals companies in China, we actively compete with these entities for project contracts. Further, as certain subsidiaries of PetroChina and Sinopec operate as EPC service providers to petrochemicals producers in China, PetroChina and Sinopec may prefer to utilize the services of their own subsidiaries to provide EPC solutions instead of us. Nevertheless, they are required by PRC regulations to select their EPC contractors through public tender of open bids or invitational tender with multiple bidders.



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As the PRC coal-to-chemicals industry is newly developed there may be undiscovered risks. As a result, we may not be able to maintain a similar profit margin in this business segment as we have in our petrochemicals and oil refineries business segments. In addition, as we expand overseas, we may face increasing competition from other international companies, which may possess greater experience in the industry as well as stronger financial resources. See “Risk Factors—Risks Relating to Our Business—We face competition in each of our business segments and as we expand overseas”.

If competition becomes more intense, we may experience more pressure on our growth and profitability. Nonetheless, we believe that we can continue to grow successfully by exploiting our competitive strengths and our experienced management and skilled technical team, as we believe we have an early-mover advantage, technological leadership and a strong market position in the business segments in which we compete.

### **Business Fluctuations**

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates due mainly to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China’s north and northeast regions), the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of the calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Critical accounting policies are those policies that require the application of our management’s most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sensitive to results under different assumptions and conditions. We believe that our most critical accounting policies are those described below.

#### **Recognition of Revenue and Cost**

The manner in which revenue and cost are recognized involves estimates by our management. Significant changes in our management’s estimates may result in revenue

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adjustments. As a general principle, our management recognizes revenue when it is probable that the economic benefits will flow to our Company and when the revenue can be measured reliably.

Our recognition of revenue and cost is typically measured by reference to the percentage of completion method of accounting. For construction contracts, contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. The aggregate revenue contribution from variation orders and claims and incentive payments of our major projects for the three years ended December 31, 2011 and the six months ended June 30, 2012 was minimal (less than 5.0% of our total revenue before tax for the same period). Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the total budgeted cost of the relevant contract. There is no minimum percentage of completion that a project has to reach before we commence recognition of revenue. See Appendix I—page I-25. In addition, the percentage of completion method of accounting is driven by the terms of the contracts and involves estimation by our management. See Appendix I—pages I-28, I-29 and I-30 for the relevant accounting policies, judgments and estimates for our revenue recognition and estimation of costs. We recognize revenue only when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on bases in accordance with IFRS. In terms of underestimating the cost of a project as a result of cost overruns for fixed price contracts, we have also implemented appropriate procedures to monitor the risks of cost overruns and adjust revenue recognized if and when necessary, consistent with IFRS. See “Business—Pricing and Risk Management—Risk Management Strategies—Engineering, Procurement, Construction Management and Other Services” for strategies and “Business—Internal Controls—Internal Control on Cost Overruns and Cash Flow Mismatches” for additional descriptions of the procedures and processes implemented to avoid cost overruns and minimize cash flow mismatches. We generally review our total budgeted cost per project on a quarterly basis, where we may, at times, adjust the total budgeted cost per project. If a percentage change in the costs incurred to date is different from the percentage change in the total budgeted cost, the percentage of completion will change. We do not adjust our revenue retroactively. Instead, we adjust our revenue in the accounting period when the total budgeted cost is revised to bring total revenue recognized on a project contract in line with the latest percentage of completion. Such revenue adjustments may be positive or negative in nature. The aggregate revenue adjustments made due to changes in percentage of completion of our major projects for the three years ended December 31, 2011 and the six months ended June 30, 2012 were minimal (less than 0.02% of our total revenue before tax for the same period).

**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 sub-contracting, direct labor and an appropriation of variable and fixed construction overheads. Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant project. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognized profits less recognized

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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 recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

Recognition of revenue according to the percentage of completion of individual contracts of construction work requires estimation by our management. The stage of completion at a given date is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by our management. Due to the nature of the activity undertaken in construction contracts, the date at which activity is entered into and the date at which activity is completed usually fall into different accounting periods. We review and revise 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.

Adjustments in the total budgeted cost for any given contract (as used for the purpose of calculating percentage of completion) take into account both (i) the actual cost overrun or savings through the date of the adjustment, determined with reference to the amount of budgeted cost expected to have been incurred as of such date, and (ii) the anticipated additional cost overrun or savings, if any, from the date of the adjustment through the completion of the project, determined with reference to the actual cost overrun or savings through the date of the adjustment.

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

**Contract for services.** Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labor and other costs of personnel directly engaged in providing the services and attributable overheads. Revenue from the rendering of services is recognized 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 recognized 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 our management. Where contract costs incurred to date plus recognized profits less recognized 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 recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

**Sale of goods.** Revenue from the sale of goods is recognized when (i) the significant risks and rewards of ownership have been transferred to the buyer and (ii) we have neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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### Depreciation and Amortization

The amount of depreciation and amortization expense to be recorded on an asset is affected by a number of management's estimates, such as estimated useful life and residual value. If different judgments are used, material differences may result in the amount and timing of the depreciation or amortization charges related to the asset.

Depreciation expense for property, plant and equipment (other than construction in progress) and investment properties is calculated on a straight-line basis to write-off the cost of each item of property, plant and equipment and investment properties to its residual value over its estimated useful life. Where parts of an item of property, plant and equipment and investment properties have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted, if appropriate, at each balance sheet date. An item of property, plant and equipment and investment properties is derecognized 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 and investment properties recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Impairment of Assets

On each balance sheet date, our management assesses whether there is an indication that an asset may be impaired. When an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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. If different judgments are used, material differences may result in the amount and timing of the impairment charge.

Our management writes down an asset as impairment loss if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

Management reverses a previously recognized impairment loss if there has been a change in the estimates used to determine the recoverable amount of an asset. The amount of reversal is credited to the income statement in the period in which it arises. The amount, however, cannot exceed the carrying amount that would have been determined (net of any depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

### Inventories

Inventories are construction materials and are stated at the lower of cost and net realizable value after making due allowances for obsolete and slow-moving items. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

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### DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

We derive a substantial majority of our revenue from our EPC contracts for ethylene and downstream petrochemicals facilities, coal-to-chemicals facilities and oil refineries. We also derive a small portion of our revenue from sales of heat-resistant alloy pipes and related components to third parties by our subsidiary, Wison Yangzhou. The following table sets forth a breakdown of revenue by business segment as a percentage of our total revenue for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>(unaudited)</i>										
<i>(RMB in millions, except percentages)</i>										
<b>Business Segments:</b>										
Petrochemicals <sup>(1)(2)</sup> . . . . .	1,386.3	73.6%	2,860.5	57.5%	1,624.2	32.2%	610.9	36.9%	130.1	15.1%
Oil refineries <sup>(3)</sup> . . . . .	207.3	11.0%	2,050.0	41.2%	2,447.0	48.6%	895.4	54.1%	125.2	14.5%
Coal-to-chemicals <sup>(4)(5)</sup> . . . . .	210.9	11.2%	28.4	0.6%	949.7	18.9%	139.2	8.4%	520.8	60.5%
Other products and services <sup>(6)(7)</sup> . . . . .	79.9	4.2%	37.3	0.7%	15.7	0.3%	9.7	0.6%	85.6	9.9%
<b>Total</b> . . . . .	<b>1,884.4</b>	<b>100.0%</b>	<b>4,976.2</b>	<b>100.0%</b>	<b>5,036.6</b>	<b>100.0%</b>	<b>1,655.2</b>	<b>100.0%</b>	<b>861.7</b>	<b>100.0%</b>

*Notes:*

- (1) Principally comprising EPC solutions for the design-building and renovation of ethylene cracking furnaces and production facilities for downstream petrochemicals.
- (2) Revenue generated in this segment is net of inter-segment sales of RMB32.1 million in the year ended December 31, 2011 and RMB32.9 million in the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.
- (3) Principally comprising PC solutions for the construction of petroleum refineries.
- (4) Principally comprising EPC solutions for the construction of coal-to-chemicals production facilities.
- (5) Revenue generated in this segment is net of inter-segment sales of RMB0.5 million in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.
- (6) Principally comprising integrated piping systems manufactured by Wison Yangzhou and EPC services to other industries.
- (7) Revenue generated in this segment is net of inter-segment sales, which have been substantial for this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Revenue in this segment inclusive of such inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB138.8 million, RMB129.3 million and RMB18.0 million, respectively, and RMB10.1 million in the six months ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

Our revenue during any given period of time is largely dependent on the following factors:

- The number and size of projects undertaken. The number of projects we undertake is dependent on a variety of factors, including market demand, the regulatory environment of the relevant industries, competition and our business development objectives. The size of the projects we undertake in any particular period is determined by the business plans of the project owners, over which we have no control.
- Our pricing policy. We submit contract price bids to our clients that are typically calculated at a percentage over estimated costs to ensure we obtain a reasonable profit margin. Our pricing policy is therefore primarily determined by market conditions that affect our costs. However, our pricing policy may also be

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influenced by client receptivity and our business development strategies. Neither the number of projects we undertake nor our pricing policy is determined by reference to any compulsory or directory guidance or instruction from the PRC government or any other regulatory body. From time to time, we may also enter into contracts based on non-fixed pricing models, where, for example, we charge our actual cost for the project plus a margin as negotiated and agreed by the project owners.

- Construction stage of the project. The amount of time required to complete a particular project varies by project type and size. Generally, construction of petrochemicals, oil refineries and coal-to-chemicals facilities or the new construction of ethylene furnaces and oil refineries require approximately 12 to 36 months to complete and, subject to the model of services we are engaged in and the chemical conversion processes employed, the scale and duration of a project do not differ materially from one business segment to another, while contracts for ethylene furnace renovation services typically require approximately four to seven months to complete. Contract completion times may also vary according to unexpected weather conditions. In addition, the duration of projects' principal construction phases also vary. A project generally enters its principal construction phase when heavy equipment and machinery that have long production lead times have been delivered on site; and the principal construction phase is completed when most of the raw materials have been consumed and the heavy equipment and machinery have been installed or constructed.

Considering the relatively long contract cycles for each type of service solution we provide, we use the percentage of completion basis to recognize revenue for each financial year based on the costs incurred. For additional details, see “—Critical Accounting Policies and Estimates—Recognition of Revenue and Cost”.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, six major project groups had the most significant effect on our results of operations. See “Business—Business Segments—Table of Our Major Projects” for a more detailed description of the projects referenced below.



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### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended					
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
(1) Project 17 (PetroChina Fushun Ethylene Plant Project)	Petrochemicals	-----					
(2) Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project)	Petrochemicals	-----					
(3) Project 16 (Huizhou CSPC Ethylene Cracking Furnace Project)	Petrochemicals	-----					
(4) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petrochemicals	-----					
(5) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:		-----					
• Project 20 (PetroChina Sichuan LLDPE Plant Project)	Petrochemicals	-----					
• Project 21 (PetroChina Sichuan Ethylene Plant Project)	Petrochemicals	-----					
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project)	Oil Refineries	-----					
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project)	Oil Refineries	-----					
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project)	Oil Refineries	-----					
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project)	Oil Refineries	-----					
(6) Project 46 (Baoji Methanol Project)	Coal-to-Chemicals	-----					

During the three years ended December 31, 2011 and the six months ended June 30, 2012, revenue in our petrochemicals business segment fluctuated depending on the number and size of projects undertaken and the construction phases of the projects undertaken at the time. Revenue in our oil refineries business segment began to grow significantly in 2010 and revenue in our coal-to-chemicals business segment began to grow significantly in 2011, reflecting our increased presence in these business segments. The growth in each of our business segments occasionally experiences setbacks when a major project in that business segment completes its principal construction phase. Specifically, in petrochemicals, our revenue decreased in 2011 compared to 2010 when Project 17 (PetroChina Fushun Ethylene Plant Project) completed its principal construction phase on December 31, 2010. As a result we had fewer major projects that were in their principal construction phase in 2011 than 2010. Revenue in our petrochemicals and oil refineries business segments also decreased in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, as projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which includes projects in both our petrochemicals and oil refineries business segments, completed their principal construction phases on December 31, 2011, as a result of which we had fewer projects in their principal construction phases in the six months ended June 30, 2012, than in the six months ended June 30, 2011.

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During the three years ended December 31, 2011 and the six months ended June 30, 2012, we were dependent on the subsidiaries of PetroChina, an industry leader in the petrochemicals market in the PRC, for a substantial part of our revenue. For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, revenue derived from contracts entered into with subsidiaries of PetroChina, on a group basis, accounted for 63.1%, 80.1%, 58.4% and 14.0% of our total revenue, respectively.

### Cost of Sales

Our cost of sales primarily consists of procurement costs for raw materials, parts and equipment, construction costs for work outsourced to sub-contractors, project administrative overhead costs, including wages, accommodation, travel and other expenses incurred by our project teams. We also incur design fees for design work outsourced to third parties. Our cost structure during a particular period is therefore affected by the type of projects undertaken during the period. More specifically, whether our model of service for a particular project is EPC, EM, EP, PM, PC or PMC can have a significant effect on our cost structure for the project depending on whether raw materials, parts and equipment are sourced and paid by us and if the construction sub-contractors are engaged and paid by us. While we generally secure fixed price contracts from our raw material, parts and equipment suppliers, our actual cost for the execution of a fixed price contract may differ from our estimates. See “—Factors Affecting our Results of Operations and Financial Condition—Costs of Raw Materials, Parts and Equipment and Construction Sub-contractors”.

The following table provides information regarding our cost of sales for our construction contracts and provision of services by business segment for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%	Cost of Sales	%
	<i>(unaudited)</i>									
	<i>(RMB in millions, except percentages)</i>									
<b>Business Segments:</b>										
Petrochemicals <sup>(1)</sup> . . . . .	989.9	74.7%	2,107.8	56.1%	1,215.3	31.7%	481.1	37.4%	109.0	16.1%
Oil refineries . . . . .	159.9	12.1%	1,618.1	43.1%	1,891.0	49.4%	699.8	54.3%	107.7	15.9%
Coal-to-chemicals <sup>(2)</sup> . . . . .	120.4	9.1%	6.7	0.2%	709.4	18.5%	98.1	7.6%	387.1	57.1%
Other products and services <sup>(3)</sup> . . . . .	55.0	4.1%	23.2	0.6%	14.2	0.4%	8.6	0.7%	73.8	10.9%
<b>Total</b> . . . . .	<u>1,325.2</u>	<u>100.0%</u>	<u>3,755.8</u>	<u>100.0%</u>	<u>3,829.9</u>	<u>100.0%</u>	<u>1,287.6</u>	<u>100.0%</u>	<u>677.6</u>	<u>100%</u>

**Notes:**

- (1) Cost of sales in this segment is net of inter-segment cost of sales in the year ended December 31, 2011 and in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales in the year ended December 31, 2011 amounted to RMB1,243.3 million and RMB142.4 million for the six months ended June 30, 2012. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.
- (2) Cost of sales in this segment is net of inter-segment cost of sales in the six months ended June 30, 2012, which principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales amounted to RMB387.1 million in the six months ended June 30, 2012. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.
- (3) Cost of sales in this segment is net of inter-segment cost of sales, which has been substantial in this segment and principally consisted of the production of pipes and related components by Wison Yangzhou for the projects we undertook. Cost of sales in this segment inclusive of such inter-segment cost of sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB95.4 million, RMB80.4 million and RMB16.3 million, respectively and RMB9.0 million for the six months

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ended June 30, 2011. There were no inter-segment sales in this segment in the six months ended June 30, 2012. As such, there was no inter-segment cost of sales in this segment in the six months ended June 30, 2012.

We recognize costs for our construction contracts as incurred.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, six major project groups, as more fully described in “—Revenue” above, had the most significant effect on our results of operations. See “—Results of Operations” below for a more detailed breakdown of the contribution to cost of sales of each of these projects for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

### Gross Profit

Our gross profit for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was RMB559.2 million, RMB1,220.4 million, RMB1,206.7 million and RMB184.1 million, respectively, representing gross profit margins of 29.7%, 24.5%, 24.0% and 21.4%, for the same periods. All our Group’s project contracts during the three years ended December 31, 2011 and the six months ended June 30, 2012 were profit-making except one project in the oil refineries segment, which had a minimal loss of an amount that is less than 0.05% of our total gross profit for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, due to significant changes in the scope of the project as requested by the project owner.

Our gross profit during any given period of time is largely dependent on the following factors:

- Models of services provided. Our gross profit for a given period is affected by the type and scope of services provided in different projects, i.e., EPC, EM, EP, PM, PC or PMC, undertaken during the period. Generally engineering and management services yield higher gross profit margins, followed by procurement and construction management. Further, due to the complexity of the plant design and engineering requirements, we generally provided more engineering and management services to petrochemicals and coal-to-chemicals projects than to the oil refineries projects in the three years ended December 31, 2011 and the six months ended June 30, 2012.
- Mixes of services provided. As our business model is project-based, we will have different service mixes during different stages of a project, and therefore during different periods. As the gross profit margins of projects vary, the overall gross profit margins and the gross profit margins by segment during particular periods will also be affected by changes in service mix. Given the above complexity of the different services provided, the widely different combinations of services that can be included in each project and different service mix across periods, no further generalizations are appropriate regarding the relative profit margins of each type of service. Investors should not rely unduly on the type of services in assessing the gross profit margins of our projects.
- Our pricing strategy. Our pricing strategy during the three years ended December 31, 2011 and the six months ended June 30, 2012 was principally

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based on the estimated cost, increased to reflect a margin reasonable for the industry, adjusted by other factors such as (i) market demand, (ii) overcapacity and (iii) strength of our expertise for the relevant project. Because we typically enter into fixed price contracts with our clients, if actual costs exceed our estimated costs used to determine the contract price, and we are unable to pass cost overruns to our clients (as is typically the case), our gross profit and profit margin are negatively affected.

- Strategic considerations. Occasionally, we may also intentionally undertake projects for which we expect lower gross profit margins due to strategic considerations, i.e., entrance into or expansion of overseas and regional markets or business within certain segments.

The following table provides information regarding our gross profit and gross profit margin for each of our business segments for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%
<i>(unaudited)</i>										
<i>(RMB in millions, except percentages)</i>										
<b>Business Segments:</b>										
Petrochemicals <sup>(1)</sup> . . . . .	396.4	28.6%	752.7	26.3%	408.9	25.2%	129.8	21.2%	21.1	16.2%
Oil refineries . . . . .	47.4	22.9%	431.9	21.1%	556.0	22.7%	195.6	21.8%	17.5	14.0%
Coal-to-chemicals <sup>(2)</sup> . . . . .	90.5	42.9%	21.7	76.4%	240.3	25.3%	41.1	29.5%	133.7	25.7%
Other products and services <sup>(3)</sup> . . . . .	24.9	31.2%	14.1	37.8%	1.5	9.6%	1.1	11.3%	11.8	13.8%
<b>Total</b> . . . . .	<b>559.2</b>	<b>29.7%</b>	<b>1,220.4</b>	<b>24.5%</b>	<b>1,206.7</b>	<b>24.0%</b>	<b>367.6</b>	<b>22.2%</b>	<b>184.1</b>	<b>21.4%</b>

*Notes:*

- (1) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales in the year ended December 31, 2011 and the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Gross profit and gross profit margin inclusive of such inter-segment sales and cost of sales in the year ended December 31, 2011 amounted to RMB412.9 million and 24.9%, respectively. Gross profit and gross profit margin inclusive of such inter-segment sales and cost of sales in the six months ended June 30, 2012 amounted to RMB20.7 million and 12.7%, respectively. There were no inter-segment sales in this segment in the years ended December 31, 2009 and 2010.
- (2) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales in the six months ended June 30, 2012. Such amounts principally consisted of sales of certain raw materials, parts and equipment imported by Wison Energy (HK) for the projects we undertook. Gross profit and gross profit margin inclusive of inter-segment sales and cost of sales in the six months ended June 30, 2012 amounted to RMB134.2 million and 25.7%, respectively. There were no inter-segment sales in this segment in the years ended December 31, 2009, 2010 and 2011.
- (3) Gross profit and gross profit margin in this segment are calculated net of inter-segment sales and cost of sales, which have been substantial in this segment and principally consisted of the sale of pipes and related components produced by Wison Yangzhou for the projects we undertake. Gross profit inclusive of inter-segment sales in the years ended December 31, 2009, 2010 and 2011 amounted to RMB43.4 million, RMB48.9 million and RMB1.7 million, respectively. Gross profit margins inclusive of inter-segment sales and cost of sales in the years ended December 31, 2009, 2010 and 2011 were 31.2%, 37.8% and 9.6%, respectively. Gross profit and gross profit margin inclusive of inter-segment sales and cost of sales in the six months ended June 30, 2011 amounted to RMB1.1 million and 11.3%, respectively. There were no inter-segment sales in this segment in the six months ended June 30, 2012.

Within each business segment, while petrochemicals and oil refineries had relatively stable gross profit margins during the three years ended December 31, 2011, our coal-to-chemicals business segment experienced volatility in its gross profit margins during the same periods, which was principally due to the limited number of major projects we undertook

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during the relevant periods and a wide range of profit margins for the different services we provided. See “Risk Factors—Risks Relating to Our Business—We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment” for more details.

As with our revenue and costs of sales, during the three years ended December 31, 2011 and the six months ended June 30, 2012, our gross profit and gross profit margins were influenced by the timing of the principal construction phases of our six major project groups described in “—Revenue” above. Our project timetables generally cover several financial periods, which makes the analysis of our gross profit and gross profit margins on a comparative period basis less meaningful. Investors should not rely unduly on these period-to-period comparisons.

Further, due to different types and specifics of each project within each segment we are involved in and the timing of our cash flow and revenue recognition, we do not believe that our business segment mix or the gross profit margins of each business segment should be relied upon unduly in analyzing our results of operations. See “—Factors Affecting Our Results of Operations and Financial Condition—Limited Number of Large Projects” and “—Factors Affecting Our Results of Operations and Financial Condition—Timing of Our Cash Flow and Revenue Recognition”.

### **Other Income**

Other income primarily consists of interest income, rental income, government grants and sale of scrap materials.

### **Sales and Marketing Expenses**

Sales and marketing expenses primarily consist of marketing-related travel, entertainment and communication expenses, salaries and wages for our marketing staff, transportation costs for the pipes and ancillary accessories manufactured and sold by Wison Yangzhou, expenses we incur in connection with sourcing and transporting materials, parts and equipment for the free repair services we provide to our past clients to maintain our relationships.

### **Administrative Expenses**

Administrative expenses primarily consist of wages, salaries and benefits for our administrative staff, depreciation of office equipment, office expenses, expenses in connection with our Listing and foreign currency exchange gains or losses.

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The following table provides details of our administrative expenses for the periods indicated.

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	<i>(unaudited)</i>										
	<i>(RMB in millions, except percentages)</i>										
<b>Administrative Expenses:</b>											
Employee expenses <sup>(1)</sup> ..	47.3	39.2%	76.1	48.1%	47.0	37.9%	43.1	53.1%	24.0	35.9%	
Administrative and office expenses <sup>(2)</sup> .....	25.8	21.4%	24.3	15.4%	24.3	19.6%	13.0	16.0%	16.8	25.2%	
Listing related expenses <sup>(3)</sup> .....	2.1	1.7%	4.7	3.0%	23.6	19.0%	2.2	2.7%	1.9	2.8%	
Business development expense <sup>(4)</sup> .....	29.3	24.3%	32.9	20.8%	19.4	15.6%	12.8	15.8%	8.8	13.1%	
Depreciation and amortization <sup>(5)</sup> .....	20.7	17.2%	18.9	11.9%	18.2	14.7%	9.8	12.1%	12.1	18.1%	
Other expenses <sup>(6)</sup> .....	(4.6)	(3.8%)	1.3	0.8%	(8.4)	(6.8%)	0.2	0.2%	3.2	4.9%	
<b>Total</b> .....	<u>120.6</u>	<u>100.0%</u>	<u>158.2</u>	<u>100.0%</u>	<u>124.1</u>	<u>100.0%</u>	<u>81.1</u>	<u>100.0%</u>	<u>66.8</u>	<u>100.0%</u>	

**Notes:**

- (1) Employee expenses primarily include salaries and benefits of our administrative staff, company-wide training expenses and recruiting expenses.
- (2) Administrative and office expenses include office rental expenses, property management expenses, telecommunication expenses and tax expenses such as real estate related tax.
- (3) Listing related expenses include listing expenses for our Listing. Our listing related expenses incurred subsequent to June 30, 2012 and up to August 31, 2012 were approximately RMB5.5 million and our further listing related expenses (excluding underwriting commission) to be incurred are expected to be approximately RMB34.8 million for the four months ending December 31, 2012.
- (4) Business development expenses include travel and entertainment expenses, consulting expenses and expenses on public relations.
- (5) Depreciation and amortization expenses are principally related to buildings, office equipment, motor vehicles and software.
- (6) Our other expenses include team building training expenses, provision/(reversal) of inventory provision and exchange differences.

### Other Expenses

Other expenses primarily consist of research and development expenses, fair value losses on derivative instrument, charitable donations and expenses for certain sales of materials.

The following table provides details of our other expenses for the periods indicated.

	Year ended December 31,						Six months ended June 30,				
	2009		2010		2011		2011		2012		
	<i>(unaudited)</i>										
	<i>(RMB in millions, except percentages)</i>										
<b>Other expenses:</b>											
Research and development costs <sup>(1)</sup> .....	61.5	92.8%	116.7	97.7%	147.6	94.8%	55.7	99.1%	50.2	96.5%	
Fair value losses on derivative instrument <sup>(2)</sup> ...	—	—	0.7	0.6%	5.8	3.7%	1.6	2.8%	—	—	
Charitable donations .....	—	—	1.6	1.3%	4.5	2.9%	(0.2)	(0.4%)	0.2	0.4%	
Provision for doubtful debts .....	(1.1)	(1.7%)	(1.2)	(1.0%)	(2.4)	(1.5%)	(1.0)	(1.7%)	—	—	
Expenses for sale of materials .....	5.3	8.0%	—	—	—	—	—	—	—	—	
Others .....	0.6	0.9%	1.6	1.4%	0.2	0.1%	0.1	0.2%	1.6	3.1%	
<b>Total</b> .....	<u>66.3</u>	<u>100.0%</u>	<u>119.4</u>	<u>100.0%</u>	<u>155.7</u>	<u>100.0%</u>	<u>56.2</u>	<u>100.0%</u>	<u>52.0</u>	<u>100.0%</u>	



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*Notes:*

- (1) Research and development costs are incurred by us in connection with the development of certain proprietary technologies in providing EPC solutions in each of our three business segments.
- (2) Fair value losses on derivative instrument comprised principally losses on our non-delivery foreign exchange forward (NDF) instrument, which we used to hedge our foreign exchange exposure for certain U.S. dollar denominated loans. See “—Indebtedness, Contractual Obligations and Other Off-Balance Sheet Arrangements—Off-Balance Sheet Arrangements—Non-delivery Foreign Exchange Forward Contracts” for additional details concerning this instrument and the related U.S. dollar loan.

### Finance Costs

Finance costs consist principally of interest expenses and financing charges.

### Net Profit Sensitivity

Our net profit from period to period is subject to changes in our cost of procurement. The following table illustrates this sensitivity for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 by showing changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<i>(RMB in millions)</i>				
<b>Changes in cost of procurement<sup>(1)(2)</sup>:</b>					
-15.0%	+62.8	+296.5	+297.5	+100.0	+34.6
-10.0%	+40.7	+196.3	+203.7	+66.9	+23.5
-5.0%	+18.7	+96.1	+110.0	+33.7	+12.4
-3.0%	+9.9	+56.0	+72.5	+20.5	+8.0
-1.0%	+1.0	+15.9	+35.0	+7.2	+3.5
+1.0%	-7.8	-24.2	-2.5	-6.0	-0.9
+3.0%	-16.6	-64.3	-40.0	-19.3	-5.5
+5.0%	-25.4	-104.4	-77.5	-32.5	-10.7
+10.0%	-47.5	-204.6	-171.3	-65.7	-24.8
+15.0%	-69.5	-304.8	-265.1	-98.8	-39.1

*Notes:*

- (1) The range of changes in cost of procurement used above (-15.0% to +15.0%) is provided merely for illustration purposes and may not give a true picture of the effect on our Group of movement in cost of procurement due to its hypothetical nature. A range of changes in cost of procurement of -5.0% to +5.0% is more in line with the variation in cost of procurement during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.
- (2) The movement in our cost of procurement for any particular type of product does not necessarily correlate to changes in market prices, due to the measures we take to limit the effects on us of such changes. See “Business—Procurement Management and Inventory Control” beginning on page 207 for details.

### Profit Attributable to Minority Interest

Profit attributable to minority interest relates to the proportion of profit attributable to the minority shareholder of Wison Engineering, Jiangsu Xinhua, which owned 25% of the registered capital in Wison Engineering throughout the three years ended December 31, 2011 and the six months ended June 30, 2012. In accordance with Wison Engineering’s articles of association, its minority shareholder is entitled to 10% of Wison Engineering’s distributable profits. This 90:10 profit sharing ratio arrangement was a commercial decision reached after an arm’s length negotiation among the parties. On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Cooperation jointly

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promulgated the Regulations on the Administration of Foreign-funded Construction Enterprises (外商投資建築業企業管理規定) (Decree No. 113 of the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation) that were implemented on December 1, 2002. According to these PRC laws and regulations, the registered capital contributed by the PRC domestic investment entity for a Sino-foreign co-operative joint venture construction enterprise cannot be less than 25% of the registered capital of such enterprise. As such, Wison Engineering must be at least 25% owned by a PRC domestic investment entity at all times. To comply with these PRC laws and regulations, Wison Engineering was 25% owned by Jiangsu Xinhua and 75% owned by Wison Technology from September 11, 2003. Wison Technology's interest was subsequently transferred to Wison Energy (HK) on December 29, 2008.

Pursuant to Wison Engineering's articles of association and joint venture contract, all after-tax profits of Wison Engineering that are distributable to its shareholders are required to be distributed as to 90% to Wison Technology (prior to the transfer of the 75% equity interest in Wison Engineering from Wison Technology to Wison Energy (HK), and to Wison Energy (HK) after such transfer) and as to 10% to Jiangsu Xinhua. Neither the articles of association nor the Sino-foreign cooperative joint venture contract of Wison Engineering expressly provides for the method of sharing losses by its shareholders. However, as Wison Engineering is a limited liability company, its shareholders are not liable for its debts and its shareholders' liabilities are limited to the value of their equity interest. Further, pursuant to the confirmation of Wison Engineering's shareholders dated June 30, 2004, (i) the shareholders agree not to make any provision for surplus reserve and expansion reserve of Wison Engineering; (ii) regardless of whether any profits were distributed, Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua would be entitled to enjoy any distributable profits at the rate of 90% and 10%, respectively, on a going concern basis; and (iii) prior to taking any steps to affect liquidation of Wison Engineering, all distributable profits that have not been declared will be distributed in the ratio mentioned in (ii) above. Pursuant to Wison Engineering's articles of association, in the event of a liquidation of Wison Engineering, such part of its residual assets representing the registered capital of Wison Engineering would be distributed in accordance with its registered capital ratios, namely, 75% and 25% for Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua, respectively, and the remainder of its residual assets, if any, would be distributed in accordance with the profit distribution ratios, namely, 90% and 10% for Wison Technology (and, subsequently, Wison Energy (HK)) and Jiangsu Xinhua, respectively. Our PRC legal advisers have confirmed that the arrangements covered by the joint venture contract and the confirmation of Wison Engineering's shareholders do not contravene PRC laws and regulations nor Wison Engineering's articles of association and such arrangement is legal, valid and enforceable.

Under applicable PRC laws and regulations, the Sino-foreign co-operative joint venture structure allows profits to be allocated in different proportions than the parties' respective registered capital ownership percentages. When Wison Engineering was converted into a Sino-foreign co-operative joint venture on September 11, 2003, the 90:10 profit sharing ratio arrangement was already in place, and the parties had no intention of changing the previously agreed commercial arrangement regarding profit sharing. Following the arrangements effecting the 75%/25% registered capital ratio and the transfer of Jiangsu Xinhua's entire equity interest to Mr. Han Jianyu (as set out above), no further benefits or compensation was paid to Mr. Han Jianyu or Jiangsu Xinhua for agreeing to this profit sharing arrangement.

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### Key Financial Ratios

The following table sets forth, for the periods indicated, certain key financial ratios.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Gross profit margins <sup>(1)</sup> . . . . .	29.7%	24.5%	24.0%	21.4%
Net profit margins . . . . .	12.2%	12.8%	11.7%	0.3%
Inventory turnover days <sup>(2)</sup> . . . . .	16	8	8	14
Trade receivables turnover days <sup>(3)</sup> . . . . .	86	53	35	34
Trade payables turnover days <sup>(4)</sup> . . . . .	115	79	121	390
Gearing ratio <sup>(5)</sup> . . . . .	5.4x	2.8x	2.0x	4.6x
Return on total assets <sup>(6)</sup> . . . . .	7.6%	12.6%	11.6%	0.1%
Return on equity <sup>(7)</sup> . . . . .	85.6%	91.2%	64.8%	0.7%

*Notes:*

- (1) See “— Results of Operations — Gross Profit and Gross Profit Margin” for commentary on the fluctuation of gross profit margins.
- (2) Inventory turnover days are derived by dividing the arithmetic mean of the beginning and ending inventory balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See “— Liquidity and Capital Resources — Inventory Level and Turnover Days” for commentary on the fluctuation of inventory turnover days.
- (3) Trade receivables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade receivables balances for the relevant period by total revenue, and multiplying by the number of days in the period. See “— Liquidity and Capital Resources — Trade Receivables Level and Turnover Days” for commentary on the fluctuation of trade receivables turnover days. Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See “— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition” and “— Liquidity and Capital Resources — Gross Amounts Due from Contract Customers” for further details.
- (4) Trade payables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade payables balances for the relevant period by cost of sales, and multiplying by the number of days in the period. See “— Liquidity and Capital Resources — Trade Payables Level and Turnover Days” for commentary on the fluctuation of trade payables turnover days.
- (5) Gearing ratio is derived by dividing total debt by total equity. Total debt represents interest-bearing bank loans and interest-bearing finance lease payables.
- (6) Return on total assets is derived by dividing net profit by total assets. Total assets are the average beginning and ending balances of total assets within a certain period.
- (7) Return on equity is derived by dividing net profit by shareholders’ equity. Shareholders’ equity is the average beginning and ending balances of the shareholders’ equity within a certain period.

### ***Gearing ratio***

Our gearing ratio as of June 30, 2012 increased to 4.6x compared to 2.0x as of December 31, 2011, primarily due to an increase of RMB631.7 million in our total debt balance, resulting from an increase of RMB831.9 million in short-term bank loans, and a decrease of RMB325.8 million in our total equity balance, resulting from interim dividends of RMB327.9 million declared. Our gearing ratio as of December 31, 2011 decreased to 2.0x compared to 2.8x as of December 31, 2010, primarily due to our repayment of certain short-term bank loans, which was partially offset by a decrease in our total equity of 20.8%. Our gearing ratio as of December 31, 2010 decreased to 2.8x compared to 5.4x as of December 31, 2009, primarily due to a significant increase in our total equity of 167.7%, which was partially offset by an increase in short-term bank loans.

### ***Return on total assets***

Our return on total assets was 0.1% during the six months ended June 30, 2012, primarily due to a relatively low net profit of RMB2.2 million during the same period. Our

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return on total assets decreased to 11.6% in 2011 compared to 12.6% in 2010, primarily due to a 7.3% decrease in net profit from 2010 to 2011. In addition, the average beginning and ending balances of our total assets increased by 0.8% during the same period. Our return on total assets increased to 12.6% in 2010 compared to 7.6% in 2009, primarily due to a significant increase in net profit of 176.6% from 2009 to 2010, while the average beginning and ending balances of our total assets increased by 66.6% during the same period.

### ***Return on equity***

Our return on equity was 0.7% during the six months ended June 30, 2012, primarily due to a relatively low net profit of RMB2.2 million during the same period. Our return on equity decreased to 64.8% in 2011 compared to 91.2% in 2010, primarily due to a decrease in net profit of 7.3% from 2010 to 2011, while the average beginning and ending balances of our total equity increased by 30.5% during the same period. Our return on equity increased to 91.2% in 2010 compared to 85.6% in 2009, primarily due to a significant increase in net profit of 176.6% from 2009 to 2010, while the average beginning and ending balances of our total equity increased by 159.6% during the same period.

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### RESULTS OF OPERATIONS

#### Selected Consolidated Financial Information

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations and each item expressed as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2009		2010		2011		2011		2012	
	<i>(unaudited)</i>									
	<i>(RMB in millions, except percentages)</i>									
<b>Revenue</b> . . . . .	1,884.4	100.0%	4,976.2	100.0%	5,036.6	100.0%	1,655.2	100.0%	861.7	100.0%
Cost of sales . . . . .	(1,325.2)	(70.3)%	(3,755.8)	(75.5)%	(3,829.9)	(76.0)%	(1,287.6)	(77.8)%	(677.6)	(78.6)%
Gross profit . . . . .	559.2	29.7%	1,220.4	24.5%	1,206.7	24.0%	367.6	22.2%	184.1	21.4%
Other income and gains . . . . .	25.1	1.3%	35.0	0.7%	30.6	0.6%	16.1	1.0%	16.6	1.9%
Sales and marketing expenses . . . . .	(14.7)	(0.8)%	(25.9)	(0.5)%	(25.0)	(0.5)%	(20.5)	(1.2)%	(32.5)	(3.8)%
Administrative expenses . . . . .	(120.6)	(6.4)%	(158.2)	(3.2)%	(124.1)	(2.5)%	(81.1)	(4.9)%	(66.8)	(7.7)%
Other expenses . . . . .	(66.3)	(3.5)%	(119.4)	(2.4)%	(155.7)	(3.1)%	(56.2)	(3.4)%	(52.0)	(6.0)%
Finance costs . . . . .	(87.6)	(4.6)%	(133.7)	(2.7)%	(137.9)	(2.7)%	(81.8)	(4.9)%	(53.0)	(6.2)%
Share of profits and losses of an associate . . . . .	0.1	—	0.4	—	0.6	—	0.2	—	0.1	—
<b>Profit/(loss) Before Tax</b> . . . . .	295.2	15.7%	818.6	16.5%	795.2	15.8%	144.3	8.7%	(3.5)	(0.4)%
Income tax expense . . . . .	(65.3)	(3.5)%	(182.6)	(3.7)%	(205.5)	(4.1)%	(35.6)	(2.1)%	5.7	0.7%
<b>Profit After Tax and Total Comprehensive Income for the Year</b> . . . . .	<u>229.9</u>	<u>12.2%</u>	<u>636.0</u>	<u>12.8%</u>	<u>589.7</u>	<u>11.7%</u>	<u>108.7</u>	<u>6.6%</u>	<u>2.2</u>	<u>0.3%</u>
Profit and total comprehensive income attributable to:										
Equity holders of the parent . . . . .	206.6	11.0%	567.7	11.4%	518.7	10.3%	95.4	5.8%	0.3	—
Non controlling interests . . . . .	23.3	1.2%	68.3	1.4%	71.0	1.4%	13.3	0.8%	1.9	0.3%
	<u>229.9</u>	<u>12.2%</u>	<u>636.0</u>	<u>12.8%</u>	<u>589.7</u>	<u>11.7%</u>	<u>108.7</u>	<u>6.6%</u>	<u>2.2</u>	<u>0.3%</u>

See “Business—Business Segments—Table of Our Major Projects” for a more detailed description of the projects referenced below.

#### Six months ended June 30, 2012 compared to six months ended June 30, 2011

##### *Revenue*

Revenue decreased by RMB793.5 million, or 47.9%, from RMB1,655.2 million in the six months ended June 30, 2011 to RMB861.7 million in the six months ended June 30, 2012, principally due to decreases in revenue from two of our principal business segments, petrochemicals and oil refineries, offset in part by increased revenue from coal-to-chemicals.

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The following table sets forth the two project groups (comprising a total of seven projects) that, while contributing significantly to our revenue in the six months ended June 30, 2011, contributed lesser amounts to our revenue in the six months ended June 30, 2012 as they each completed their principal construction phase at the end of 2011.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petrochemicals					-----		
(2) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:						-----		
• Project 20 (PetroChina Sichuan LLDPE Plant Project);	Petrochemicals					-----		
• Project 21 (PetroChina Sichuan Ethylene Plant Project);	Petrochemicals					-----		
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project);	Oil Refineries					-----		
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project);	Oil Refineries					-----		
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project); and	Oil Refineries					-----		
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).	Oil Refineries					-----		

In comparison, the following project began its principal construction phase in the second half of 2011 and, as a result, while it did not contribute to our revenue in the six months ended June 30, 2011, it contributed significantly to our revenue in the six months ended June 30, 2012.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Project 46 (Baoji Methanol Project)	Coal-to-Chemicals							-----

- In petrochemicals, revenue exclusive of inter-segment sales decreased by RMB480.8 million, or 78.7%, from RMB610.9 million in the six months ended June 30, 2011 to RMB130.1 million in the six months ended June 30, 2012. We had inter-segment sales of RMB32.9 million in the six months ended June 30, 2012. The decrease in revenue for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011.



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As a result, the contract revenue of our projects in the petrochemicals business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

- In oil refineries, revenue decreased by RMB770.2 million, or 86.0%, from RMB895.4 million in the six months ended June 30, 2011 to RMB125.2 million in the six months ended June 30, 2012. This decrease was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phases by the end of 2011. As a result, the contract revenue of our projects in the oil refineries business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.
- In coal-to-chemicals, revenue increased by RMB381.6 million, or 274.1%, from RMB139.2 million in the six months ended June 30, 2011 to RMB520.8 million in the six months ended June 30, 2012. We had inter-segment sales of RMB0.5 million in the six months ended June 30, 2012. This increase was primarily due to our commencing Project 46 (Baoji Methanol Project) in March 2011. As a result, while Project 46 (Baoji Methanol Project) did not contribute significantly to our revenue in the six months ended June 30, 2011, it contributed significantly to our revenue in the six months ended June 30, 2012. Our research and development efforts in the past few years on the MTO and MTP processes have been beneficial to us in winning coal-to-chemicals projects from project owners who are seeking to develop projects incorporating these technologies. We have successfully developed our business relationships with certain new clients, including Shaanxi Changqing Energy & Chemical Co., Ltd. through winning the bid and undertaking Project 46 (Baoji Methanol Project).
- In other products and services, revenue exclusive of inter-segment sales increased by RMB75.9 million, or 782.5%, from RMB9.7 million in the six months ended June 30, 2011 to RMB85.6 million in the six months ended June 30, 2012. We had inter-segment sales of RMB0.4 million in the six months ended June 30, 2011 and nil in the six months ended June 30, 2012. This increase was primarily due to our commencing Project 58 (Zhoushan Wison Marine Engineering Base Project) in May 2012. As a result, while Project 58 (Zhoushan Wison Marine Engineering Base Project) did not contribute to our revenue in the six months ended June 30, 2011, it contributed to our revenue in the six months ended June 30, 2012.

### ***Cost of Sales***

Cost of sales decreased by RMB610.0 million, or 47.4%, from RMB1,287.6 million in the six months ended June 30, 2011 to RMB677.6 million in the six months ended June 30, 2012 principally due to decreases in revenue from two of our principal business segments, petrochemicals and oil refineries, offset in part by increased revenue from coal-to-chemicals. In the six months ended June 30, 2012, cost of sales decreased in petrochemicals and oil

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refineries, corresponding generally to the decrease in our revenue in these business segments. Cost of sales increased in coal-to-chemicals, also corresponding generally to the increase in our revenue in this business segment. In comparing our cost of sales in the six months ended June 30, 2011 to the six months ended June 30, 2012, the same three project groups (comprising eight projects) that had the most significant effect on our revenue also had the most significant effect on our cost of sales. Further details of our cost of sales breakdown by business segments are set out below.

- In petrochemicals, cost of sales exclusive of inter-segment sales decreased by RMB372.1 million, or 77.3%, from RMB481.1 million in the six months ended June 30, 2011 to RMB109.0 million in the six months ended June 30, 2012. The decrease in cost of sales for our petrochemicals business segment was primarily due to Projects 24 (Dushanzi Polybutadiene Rubber Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) completing their principal construction phases by the end of 2011. As a result, the cost of sales in the petrochemicals business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.
- In oil refineries, cost of sales decreased by RMB592.1 million, or 84.6%, from RMB699.8 million in the six months ended June 30, 2011 to RMB107.7 million in the six months ended June 30, 2012. The decrease in cost of sales for our oil refineries business segment was primarily due to Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) completing their principal construction phases by the end of 2011. As a result, the cost of sales in the oil refineries business segment decreased significantly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.
- In coal-to-chemicals, cost of sales increased by RMB289.0 million, or 294.6%, from RMB98.1 million in the six months ended June 30, 2011 to RMB387.1 million in the six months ended June 30, 2012. This increase was primarily due to Project 46 (Baoji Methanol Project) entered into its principal construction phase only after June 30, 2011.
- In other products and services, cost of sales exclusive of inter-segment sales increased by RMB65.2 million, or 758.1%, from RMB8.6 million in the six months ended June 30, 2011 to RMB73.8 million in the six months ended June 30, 2012. We had inter-segment cost of sales of RMB0.4 million in the six months ended June 30, 2011 and nil inter-segment cost of sales in the six months ended June 30, 2012. The increase was primarily due to increased activities on Project 58 (Zhoushan Wison Marine Engineering Base Project).

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit decreased by RMB183.5 million, or 49.9%, from RMB367.6 million in the six months ended June 30, 2011 to RMB184.1 million in the six

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months ended June 30, 2012. Our gross profit margin was 22.2% in the six months ended June 30, 2011 compared to 21.4% in the six months ended June 30, 2012. In the six months ended June 30, 2011, our gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments were 21.2%, 21.8% and 29.5%, respectively, compared to 16.2%, 14.0% and 25.7%, in the six months ended June 30, 2012. The decreases in the gross profit margins in petrochemicals and oil refineries were primarily attributable to adjustments in our cost recognition for the six months ended June 30, 2012, in the amounts of RMB7.9 million and RMB8.7 million, respectively, at the end of the principal construction phases of the relevant projects, when miscellaneous additional costs associated with fine tuning the machinery and equipment or small modifications related to various installations were recognized. At the end of 2011, we had a number of projects completing their principal construction phases. For these projects, most of the project revenue had been recognized by that time. As the projects were relatively large, the recognition of additional costs in 2012 due to these cost adjustments, combined with the reduction in project revenue after completion of the principal construction phases, resulted in the negative effect on revenue and gross profit margins for the six months ended June 30, 2012. The decrease in the gross profit margins in coal-to-chemicals was primarily attributable to the smaller size of projects we undertook in the six months ended June 30, 2011. Smaller projects often involve a larger proportion of engineering work compared to larger projects, and engineering work normally has a higher gross profit margin compared to procurement and construction management work. In the six months ended June 30, 2012, Project 46 (Baoji Methanol Project) was the only major project in its principal construction phase and involved a larger proportion of procurement and construction management work. As a result, our model and mix of services were such that they had a higher combined gross profit margin in the six months ended June 30, 2011.

### ***Other income***

Other income increased by RMB0.5 million, or 3.1%, from RMB16.1 million in the six months ended June 30, 2011 to RMB16.6 million in the six months ended June 30, 2012. We had an increase in government grant to Wison Engineering in the amount of RMB1.6 million related primarily to the payment of withholding tax by Wison Engineering for Wison Energy (HK) pursuant to relevant PRC tax regulations, offset in part by a decrease in other interest income as certain of our pledged deposits had been released. Other income accounted for 1.0% of our revenue in the six months ended June 30, 2011, as compared to 1.9% in the six months ended June 30, 2012.

### ***Sales and marketing expenses***

Sales and marketing expenses increased by RMB12.0 million, or 58.5%, from RMB20.5 million in the six months ended June 30, 2011 to RMB32.5 million in the six months ended June 30, 2012. We had an increase in advertising expenses in connection with an outdoor advertisement campaign and an increase in employee expenses primarily due to an increase in business development activities. Sales and marketing expenses accounted for 1.2% of our revenue in the six months ended June 30, 2011, as compared to 3.8% in the six months ended June 30, 2012.

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### ***Administrative expenses***

Administrative expenses decreased by RMB14.3 million, or 17.6%, from RMB81.1 million in the six months ended June 30, 2011 to RMB66.8 million in the six months ended June 30, 2012. We had a decrease in employee expenses primarily due to a decrease in the wages and benefits of certain engineers who were reallocated to the costs of engineering projects, a decrease in consulting fees and a decrease in listing expenses, offset in part by an increase in administrative and office expenses primarily due to an increase in rental expenses, an increase in other expenses primarily due to exchange losses and an increase in depreciation and amortization primarily due to an increase in amortization related to the parcel of land in Shanghai for our planned research and development center. Administrative expenses, as a percentage of our revenue, were 4.9% in the six months ended June 30, 2011, as compared to 7.8% in the six months ended June 30, 2012.

### ***Other expenses***

Other expenses decreased by RMB4.2 million, or 7.5%, from RMB56.2 million in the six months ended June 30, 2011 to RMB52.0 million in the six months ended June 30, 2012. This decrease was primarily due to research and development expenses decreased by RMB5.6 million and the absence of any foreign exchange losses from our non-delivery foreign exchange contracts (NDF), which expired in August 2011, as compared to a recorded RMB1.6 million loss as of June 30, 2011. This decrease was offset in part by a decrease in reversal of provision of RMB1.0 million. Other expenses, as a percentage of our revenue, were 3.4% in the six months ended June 30, 2011, as compared to 6.0% in the six months ended June 30, 2012.

### ***Finance costs***

Finance costs decreased by RMB28.8 million, or 35.2%, from RMB81.8 million in the six months ended June 30, 2011 to RMB53.0 million in the six months ended June 30, 2012. This decrease was primarily due to a decrease in our interest payment as our overall borrowing decreased in the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Finance costs, as a percentage of our revenue, were 4.9% in the six months ended June 30, 2011, as compared to 6.2% in the six months ended June 30, 2012.

### ***Income tax expenses***

Income tax expenses decreased by RMB41.3 million, or 116.3%, from RMB35.6 million in the six months ended June 30, 2011 to a credit of RMB5.7 million in the six months ended June 30, 2012. This decrease was primarily due to the decrease of the taxable revenue in the six months ended June 30, 2012 and the tax incentives awarded to us for our research and development activities.

### ***Net profit***

Net profit decreased by RMB106.5 million, or 97.9%, from RMB108.7 million in the six months ended June 30, 2011 to RMB2.2 million in the six months ended June 30, 2012. Our net profit margin was 6.6% in the six months ended June 30, 2011 and decreased to 0.3% in the six months ended June 30, 2012. The significant decreases of our net profit and net profit margin in six months ended June 30, 2012 were primarily due to the significant decrease of

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our revenue in six months ended June 30, 2012, as a result of Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex having completed their principal construction phases at the end of 2011, while Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project), 54 (Pucheng Polyethylene Plant Project) and 58 (Zhoushan Wison Marine Engineering Base Project) would not have begun their principal construction phases until the second half of 2012. See “—Results of Operations—Six months ended June 30, 2012 compared to six months ended June 30, 2011—Revenue” and “—Recent Developments” for more details.

### **Year ended December 31, 2011 compared to year ended December 31, 2010**

#### ***Revenue***

Revenue increased by RMB60.4 million, or 1.2%, from RMB4,976.2 million in 2010 to RMB5,036.6 million in 2011. In 2011, our revenue from oil refineries and coal-to-chemicals increased while revenue from petrochemicals decreased compared to 2010. Revenue from oil refineries became our largest business segment in 2011, overtaking petrochemicals, which had been our largest business segment in 2009 and 2010.

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The following table sets forth the three project groups (comprising a total of eight projects) that made significant contribution to our revenue in 2011, as the construction activities of Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and the six projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex increased throughout 2010, peaking in 2011 and Project 46 (Baoji Methanol Project) entered into its principal construction phase in the second half of 2011.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petro-chemicals					-----		
(2) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:						-----		
• Project 20 (PetroChina Sichuan LLDPE Plant Project);	Petro-chemicals					-----		
• Project 21 (PetroChina Sichuan Ethylene Plant Project);	Petro-chemicals					-----		
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project);	Oil Refineries					-----		
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project);	Oil Refineries					-----		
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project); and	Oil Refineries					-----		
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).	Oil Refineries					-----		
(3) Project 46 (Baoji Methanol Project)	Coal-to-Chemicals							-----

In comparison, while the construction activities of Project 17 (PetroChina Fushun Ethylene Plant Project) peaked in the second half of 2010 and contributed significantly to our revenue in 2010, as Project 17 (PetroChina Fushun Ethylene Plant Project) had progressed beyond its principal construction phase by the end of 2010 its construction activities contributed less to our revenue in 2011.

### Periods of Principal Construction Phases

Project Group	Business Segments	For the six months ended						
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
Project 17 (PetroChina Fushun Ethylene Plant Project)	Petro-chemicals					-----		



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Further details of our revenue breakdown by business segments are set out below.

- In petrochemicals, revenue exclusive of inter-segment sales decreased by RMB1,236.3 million, or 43.2%, from RMB2,860.5 million in 2010 to RMB1,624.2 million in 2011. We had inter-segment sales of RMB32.1 million in 2011, when Wison Energy (HK) began to import certain raw materials, parts and equipment for our Group. The decrease in revenue for our petrochemicals business segment was primarily due to the timing of the principal construction phase of Project 17 (PetroChina Fushun Ethylene Plant Project), which peaked in the second half of 2010. As a result, we had fewer major projects that were in their principal construction phase and contributed substantially to our segment revenue in 2011 than in 2010.
- In oil refineries, revenue increased by RMB397.0 million, or 19.4%, from RMB2,050.0 million in 2010 to RMB2,447.0 million in 2011. This increase was primarily due to increased activities among the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex. We won the contracts for the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in late 2009 as our expertise in providing PC services to oil refinery projects gained recognition among oil refinery project owners, including PetroChina Sichuan. The contract revenue of our oil refineries business segment increased throughout 2010, peaking in 2011. As a result, oil refineries became our largest business segment by the end of 2011, overtaking petrochemicals.
- In coal-to-chemicals, revenue increased by RMB921.3 million, or 3,244.0%, from RMB28.4 million in 2010 to RMB949.7 million in 2011. This increase was primarily due to us commencing Project 46 (Baoji Methanol Project) in March 2011. Our research and development efforts in the past few years on the MTO and MTP processes have been beneficial to us in dealing with coal-to-chemicals project owners who are seeking to develop projects incorporating these technologies. We have successfully developed our business relationships with certain new clients, including Shaanxi Changqing Energy & Chemical Co., Ltd. through winning the bid and undertaking Project 46 (Baoji Methanol Project).
- In other products and services, revenue exclusive of inter-segment sales decreased by RMB21.6 million, or 57.9%, from RMB37.3 million in 2010 to RMB15.7 million in 2011. Revenue inclusive of inter-segment sales decreased by RMB111.3 million, or 86.1%, from RMB129.3 million in 2010 to RMB18.0 million in 2011. Revenue attributable to our inter-segment sales decreased by RMB89.7 million, or 97.5%, from RMB92.0 million in 2010 to RMB2.3 million in 2011, as the EPC projects we undertook consumed fewer pipes and ancillary accessories in 2011 primarily due to Projects 17 (PetroChina Fushun Ethylene Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project) being at a stage where they had completed the purchase and installation of pipes and related components supplied by Wison Yangzhou, and we had no other large scale projects at the time to offset the decrease.

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### ***Cost of sales***

Cost of sales increased by RMB74.1 million, or 2.0%, from RMB3,755.8 million in 2010 to RMB3,829.9 million in 2011. In 2011, cost of sales increased in oil refineries and coal-to-chemicals, corresponding generally to the increases in our revenue in these business segments. Cost of sales decreased in petrochemicals, also corresponding generally to the decrease in our revenue in this business segment. In comparing our cost of sales in 2010 with our cost of sales in 2011, the same four project groups that had the most significant effect on our revenue also had the most significant effect on our cost of sales. Further details of our cost of sales breakdown by business segments are set out below.

- In petrochemicals, cost of sales exclusive of inter-segment sales decreased by RMB892.5 million, or 42.3%, from RMB2,107.8 million in 2010 to RMB1,215.3 million in 2011. Our cost of sales in 2011 inclusive of inter-segment sales was RMB1,243.3 million. The decrease in cost of sales for our petrochemicals business segment was primarily due to decreased activities in Project 17 (PetroChina Fushun Ethylene Plant Project), as its principal construction phase peaked in 2010.
- In oil refineries, cost of sales increased by RMB272.9 million, or 16.9%, from RMB1,618.1 million in 2010 to RMB1,891.0 million in 2011. This increase was primarily due to increased activities among the oil refineries projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex.
- In coal-to-chemicals, cost of sales increased by RMB702.7 million, or 10,488.1%, from RMB6.7 million in 2010 to RMB709.4 million in 2011. This increase was primarily due to us commencing Project 46 (Baoji Methanol Project) in March 2011.
- In other products and services, cost of sales exclusive of our inter-segment sales decreased by RMB9.0 million, or 38.8%, from RMB23.2 million in 2010 to RMB14.2 million in 2011. Cost of sales inclusive of inter-segment sales decreased by RMB64.1 million, or 79.7%, from RMB80.4 million in 2010 to RMB16.3 million in 2011. Cost of sales attributable to our inter-segment sales decreased by RMB55.1 million, or 96.3%, from RMB57.2 million in 2010 to RMB2.1 million in 2011.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit decreased by RMB13.7 million, or 1.1%, from RMB1,220.4 million in 2010 to RMB1,206.7 million in 2011. Our gross profit margin was 24.5% in 2010, compared to 24.0% in 2011. In 2010, our gross profit margins in our petrochemicals, oil refineries and coal-to-chemicals business segments, exclusive of inter-segment sales, were 26.3%, 21.1% and 76.4%, respectively, compared to 25.2%, 22.7% and 25.3% in 2011. The small changes in the gross profit margins in petrochemicals and oil refineries were primarily attributable to the model and mix of services provided during the relevant periods. Our gross profit margin in coal-to-chemicals was more in line with those of petrochemicals and oil refineries in 2011 than in 2010. In 2010, we had a limited number of major projects, many of which tended to entail a substantial amount of relatively high margin engineering or management services.

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### ***Other income***

Other income decreased by RMB4.4 million, or 12.6%, from RMB35.0 million in 2010 to RMB30.6 million in 2011. We had a decrease in interest income of RMB11.5 million in 2011, offset in part by an increase in rental income of RMB5.3 million. Other income accounted for 0.7% of our revenue in 2010, as compared to 0.6% in 2011.

### ***Sales and marketing expenses***

Sales and marketing expenses decreased by RMB0.9 million, or 3.5%, from RMB25.9 million in 2010 to RMB25.0 million in 2011. This decrease was primarily due to a decrease in transportation expense in connection with the delivery of pipes and related components from Wison Yangzhou. Our selling and marketing expenses accounted for 0.5% of our revenue in 2010, the same percentage in 2011.

### ***Administrative expenses***

Administrative expenses decreased by RMB34.1 million, or 21.6%, from RMB158.2 million in 2010 to RMB124.1 million in 2011. We had increases in foreign exchange gains and decreases in employee expenses, including net wage and training expenses for our employees. Our increases in foreign exchange gains was due in part to foreign exchange gains from the repayment of certain U.S. dollar denominated loans. However, the foreign exchange gains generated as a result of the depreciation of U.S. dollars against Renminbi realized upon the repayment of certain of our U.S. dollar denominated loans was also offset by losses from our non-delivery foreign exchange forward contracts (NDF) that we entered into to hedge against such foreign exchange exposure. The offsetting losses from our NDF contracts were recorded in "other expenses". The decreases in our administrative expenses were offset in part by an increase in our listing expenses for this Listing. Our administrative expenses, as a percentage of our revenue, were 3.2% in 2010, as compared to 2.5% in 2011.

### ***Other expenses***

Other expenses increased by RMB36.3 million, or 30.4%, from RMB119.4 million in 2010 to RMB155.7 million in 2011. This increase was primarily due to an increase in research and development expenses of RMB30.9 million in relation to developing technologies in the coal-to-chemicals processes, an increase in our fair value losses on derivative instruments by RMB5.1 million in relation to losses from our NDF contracts and an increase in our charitable expenses by RMB2.9 million. Our other expenses, as a percentage of our revenue, were 2.4% in 2010, as compared to 3.1% in 2011.

### ***Finance costs***

Finance costs increased by RMB4.2 million, or 3.2%, from RMB133.7 million in 2010 to RMB137.9 million in 2011. This increase was primarily due to an increase in interest payments. The average interest rate applicable to our borrowings rose in 2011 compared to 2010, notwithstanding that the amount of our interest-bearing bank and other borrowings decreased from RMB2,883.4 million as of December 31, 2010 to RMB1,592.3 million as of December 31, 2011, as most of the repayment occurred in late 2011. Finance costs, as a percentage of our revenue, were 2.7% in both 2010 and 2011.

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### *Income tax expense*

Income tax expense increased by RMB22.9 million, or 12.5%, from RMB182.6 million in 2010 to RMB205.5 million in 2011. Our effective tax rate in 2010 was 22.3%, as compared to 25.8% in 2011. See “—Taxation—PRC Taxation” below for further details regarding our tax obligations.

### *Net profit*

Net profit decreased by RMB46.3 million, or 7.3%, from RMB636.0 million in 2010 to RMB589.7 million in 2011. Our net profit margin was 12.8% in 2010 and decreased slightly to 11.7% in 2011, primarily as a result of our decreased gross profit margin as a reflection of the model and mix of services provided and the construction phases of our major projects in 2010 and 2011.

### **Year ended December 31, 2010 compared to year ended December 31, 2009**

#### *Revenue*

Revenue increased by RMB3,091.8 million, or 164.1%, from RMB1,884.4 million in 2009 to RMB4,976.2 million in 2010 principally due to increases in revenue from two of our principal business segments, petrochemicals and oil refineries, and revenue from oil refineries increased at a greater rate than the revenue from petrochemicals.

The following table sets forth the three project groups (comprising a total of eight projects) that made significant contribution to our revenue in 2010, particularly in the second half of 2010 as they entered into their principal construction phases.

#### **Periods of Principal Construction Phases**

Project Group	Business Segments	For the six months ended						
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011	June 30, 2012
(1) Project 17 (PetroChina Fushun Ethylene Plant Project)	Petrochemicals	-----						
(2) Project 24 (Dushanzi Polybutadiene Rubber Plant Project)	Petrochemicals	-----						
(3) Projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, namely:		-----						
• Project 20 (PetroChina Sichuan LLDPE Plant Project)	Petrochemicals	-----						
• Project 21 (PetroChina Sichuan Ethylene Plant Project)	Petrochemicals	-----						
• Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project)	Oil Refineries	-----						
• Project 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project)	Oil Refineries	-----						
• Project 39 (PetroChina Sichuan Sulfur Recovery Plant Project)	Oil Refineries	-----						
• Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project)	Oil Refineries	-----						

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In comparison, the following two project groups, while contributing significantly to our revenue in 2009, contributed less to our revenue in 2010 as they completed their principal construction phase at the end of 2009.

### Period of Principal Construction Phases

Project Group	Business Segments	For the six months ended					
		June 30, 2009	December 31, 2009	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
(1) Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project) .....	Petro-chemicals	-----					
(2) Project 16 (Huizhou CSPC Ethylene Cracking Furnace Project) .....	Petro-chemicals	-----					

- In petrochemicals, revenue increased by RMB1,474.2 million, or 106.3%, from RMB1,386.3 million in 2009 to RMB2,860.5 million in 2010. During 2010, Project 17 (PetroChina Fushun Ethylene Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project) and 20 (PetroChina Sichuan LLDPE Plant Project) entered into their principal construction phases. This was offset in part primarily by the completion of Projects 16 (Huizhou CSPC Ethylene Cracking Furnace Project) and 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project).
- In oil refineries, revenue increased by RMB1,842.7 million, or 888.9%, from RMB207.3 million in 2009 to RMB2,050.0 million in 2010. We won the contracts for the PetroChina Sichuan Integrated Refinery and Petrochemical Complex in late 2009, as our expertise in providing PC services to oil refinery projects began to gain recognition among oil refinery project owners. As a result, the contract revenue of our projects in the oil refineries business segment increased significantly in 2010 as compared to 2009. This was offset in part primarily by decreased activities in Project 36 (PetroChina Guangxi Refinery Project) as it progressed out of its principal construction phase.
- In coal-to-chemicals revenue decreased by RMB182.5 million, or 86.5%, from RMB210.9 million in 2009 to RMB28.4 million in 2010. This decrease was primarily due to the cancellation of Project 43 (Erdos Guotai Methanol Project) in January 2010, when the project owner failed to secure the allocation of coal feed stock as anticipated, and the completion of Project 42 (Wison (Nanjing) Synthesis Gas Project) in November 2009.
- In other products and services, revenue exclusive of inter-segment sales decreased by RMB42.6 million, or 53.3%, from RMB79.9 million in 2009 to RMB37.3 million in 2010. Revenue inclusive of inter-segment sales decreased slightly by RMB9.5 million, or 6.8%, from RMB138.8 million in 2009 to RMB129.3 million in 2010. Revenue of our inter-segment sales increased by RMB33.1 million, or 56.2%, from RMB58.9 million in 2009 to RMB92.0 million in 2010, as the EPC projects we undertook continued to consume more pipes and ancillary accessories.

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### ***Cost of sales***

Cost of sales increased by RMB2,430.6 million, or 183.4%, from RMB1,325.2 million in 2009 to RMB3,755.8 million in 2010, primarily attributable to the increase in cost of sales in petrochemicals and oil refineries, which correspond generally to the increases in our revenue in each of these business segments.

- In petrochemicals, cost of sales increased by RMB1,117.9 million, or 112.9%, from RMB989.9 million in 2009 to RMB2,107.8 million in 2010, primarily attributable to increased activities among Project 17 (PetroChina Fushun Ethylene Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex when they entered into their principal construction phases. This was offset in part primarily by the completion of projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, Projects 16 (Huizhou CSPC Ethylene Cracking Furnace Project) and Project 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project).
- In oil refineries, cost of sales increased by RMB1,458.2 million, or 911.9%, from RMB159.9 million in 2009 to RMB1,618.1 million in 2010, primarily attributable to increased activities among projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as they entered into their principal construction phases. This was offset by the completion of Project 36 (PetroChina Guangxi Refinery Project).
- In coal-to-chemicals, cost of sales decreased by RMB113.7 million, or 94.4%, from RMB120.4 million in 2009 to RMB6.7 million in 2010, primarily attributable to the suspension of Project 43 (Erdos Guotai Methanol Project) and the completion of Project 42 (Wison (Nanjing) Synthesis Gas Project) in November 2009.
- In other products and services, cost of sales exclusive of inter-segment sales decreased by RMB31.8 million, or 57.8%, from RMB55.0 million in 2009 to RMB23.2 million in 2010. Cost of sales inclusive of inter-segment sales decreased slightly by RMB15.0 million, or 15.7%, from RMB95.4 million in 2009 to RMB80.4 million in 2010. Cost of sales attributable to our inter-segment sales increased by RMB16.8 million, or 41.6%, from RMB40.4 million in 2009 to RMB57.2 million in 2010, as the EPC projects we undertook continued to consume more pipes and ancillary accessories.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased by RMB661.2 million, or 118.2%, from RMB559.2 million in 2009 to RMB1,220.4 million in 2010. Our gross profit margin was 29.7% in 2009, compared to 24.5% in 2010. In 2009, our gross profit margins in petrochemicals, oil refineries and coal-to-chemicals business segments were 28.6%, 22.9% and 42.9%, respectively compared to 26.3%, 21.1% and 76.4% in 2010. The small changes to the gross profit margins in petrochemicals and oil refineries were primarily attributable to the model and mix of services provided and the construction phases of our major projects during the relevant periods. In comparison, in our coal-to-chemicals business segment we had a limited number of major projects ongoing, some of which tended to entail a substantial amount of relatively high margin engineering or management services.



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### ***Other income***

Other income increased by RMB9.9 million, or 39.4%, from RMB25.1 million in 2009 to RMB35.0 million in 2010. This increase was primarily due to an increase in other interest income of RMB18.0 million, offset in part by a decrease in income from scrap sales of RMB9.2 million. Other income accounted for 1.3% of our revenue in 2009, as compared to 0.7% in 2010.

### ***Sales and marketing expenses***

Sales and marketing expenses increased by RMB11.2 million, or 76.2%, from RMB14.7 million in 2009 to RMB25.9 million in 2010. This increase was primarily due to increases in wage, travel and marketing expenses as our operations grew. Our selling and marketing expenses, as a percentage of our revenue, were 0.8% in 2009, as compared to 0.5% in 2010.

### ***Administrative expenses***

Administrative expenses increased by RMB37.6 million, or 31.2%, from RMB120.6 million in 2009 to RMB158.2 million in 2010. We had increases in listing expenses for this Listing, wage and social insurance payments for our employees, inventory provision, travel expenses and hospitality expenses as a result of our increased scale of operation in 2010. Our administrative expenses, as a percentage of our revenue, were 6.4% in 2009, as compared to 3.2% in 2010.

### ***Other expenses***

Other expenses increased by RMB53.1 million, or 80.1%, from RMB66.3 million in 2009 to RMB119.4 million in 2010, primarily due to increases in research and development expenses of RMB55.2 million in relation to developing technologies in the coal-to-chemicals processes and charity expenses of RMB1.6 million, offset in part by a decrease in expenses on sales of materials of RMB5.3 million. Our other expenses, as a percentage of our revenue, were 3.5% in 2009, as compared to 2.4% in 2010.

### ***Finance costs***

Finance costs increased by RMB46.1 million, or 52.6%, from RMB87.6 million in 2009 to RMB133.7 million in 2010. This increase was primarily due to an increase in interest payments as the amount of our interest-bearing bank and other borrowings increased from RMB2,058.1 million as of December 31, 2009 to RMB2,883.4 million as of December 31, 2010. Finance costs, as a percentage of our revenue, were 4.6% in 2009, as compared to 2.7% in 2010.

### ***Income tax expense***

Our income tax expense was RMB65.3 million in 2009 compared with RMB182.6 million in 2010. Our effective income tax rate in 2009 was 22.1%, as compared to 22.3% in 2010. See “—Taxation—PRC Taxation” for further details regarding our tax obligations.

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### **Net profit**

As a result of the foregoing, profit for the year increased by RMB406.1 million, or 176.6%, from RMB229.9 million in 2009 to RMB636.0 million in 2010. Our net profit margin was 12.2% in 2009 and increased to 12.8% in 2010, primarily as a result of our improved efficiency due to obtaining greater economies of scale.

### **LIQUIDITY AND CAPITAL RESOURCES**

From time to time we have working capital needs to finance the construction of projects. We use a variety of sources, both external and internal, to finance our operations. In addition to cash flows from our operations, we use short-term bank borrowings to fund our working capital requirements. Our short-term funding sources may vary from period to period, but they have generally included credit facilities with international and domestic banks. As of December 31, 2009, 2010 and 2011, we had net current assets of RMB309.5 million, RMB1,065.1 million and RMB387.8 million, respectively. As of June 30, 2012, we had net current liabilities of RMB338.6 million and an unaudited net current liabilities of RMB93.3 million as of October 31, 2012.

The following table sets forth our current assets and liabilities for the periods indicated.

	As of December 31,			As of June 30,	As of October 31,
	2009	2010	2011	2012	2012
	<i>(RMB in millions)</i>				
<b>Current Assets:</b>					<i>(unaudited)</i>
Inventories	51.9	117.0	46.8	59.1	286.9
Gross amounts due from contract customers	352.8	468.0	2,096.2	2,133.4	2,792.5
Trade and bills receivables	630.6	802.1	163.8	157.3	139.1
Due from a director	0.4	0.7	—	—	—
Due from related companies	34.7	543.7	0.2	0.2	1.5
Due from fellow subsidiaries	487.0	1,178.2	3.1	6.2	8.9
Due from the ultimate holding company	874.0	343.6	—	—	—
Prepayments, deposits and other receivables	44.0	49.2	80.4	162.2	127.8
Pledged bank balances and time deposits	898.3	1,568.7	508.2	718.8	397.8
Unpledged cash and bank balances	435.6	542.2	640.0	571.0	382.9
<b>Total current assets</b>	<b>3,809.3</b>	<b>5,613.4</b>	<b>3,538.7</b>	<b>3,808.2</b>	<b>4,137.4</b>
<b>Current Liabilities:</b>					
Gross amounts due to contract customers	703.9	414.3	0.6	336.3	37.3
Trade and bills payables	588.9	1,031.2	1,508.2	1,387.5	1,974.2
Other payables, advances from customers and accruals	133.7	252.6	175.2	137.5	182.5
Derivative financial instruments	—	0.7	—	—	—
Interest-bearing bank borrowings	1,823.3	2,592.7	1,391.6	2,223.5	2,005.4
Due to a related company	20.0	—	—	—	—
Due to a fellow subsidiary	3.7	—	—	—	—
Due to an associate	—	—	0.6	0.6	0.6
Due to a related party	0.6	—	—	—	—
Dividends payable	184.6	184.6	—	61.4	16.4
Tax payable	41.1	72.2	74.7	—	14.3
<b>Total current liabilities</b>	<b>3,499.8</b>	<b>4,548.3</b>	<b>3,150.9</b>	<b>4,146.8</b>	<b>4,230.7</b>
<b>Net Current Assets/(Liabilities)</b>	<b>309.5</b>	<b>1,065.1</b>	<b>387.8</b>	<b>(338.6)</b>	<b>(93.3)</b>

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Our business consists principally of a relatively small number of project contracts each having a relatively large contract value. The timing of our cash flows from operating activities are relatively uneven, as a result of the timing of our progress billings and the payment practices of our clients. To mitigate the risks created by this pattern of volatile cash flows, we have developed risk controls, including selectivity as to the projects we bid on, and we have implemented disciplined management of our cash flows. See “Business—Pricing and Risk Management—Risk Management Strategies” for further disclosure on our risk management procedures and processes. Our client base primarily consists of sizeable and established industry leaders in the petrochemicals market in the PRC that are state-owned and that we believe pose relatively low credit risks. While we recognize revenues and costs for our construction contracts according to the percentage of completion basis, our progress billings to clients are independent of revenue recognition, although they are structured to try to ensure that the amounts billed to clients are in line with, or generally, if not always, ahead of, our recognition of revenue and costs and our trade payable obligations. As a result of these timing differences between our cash inflows and outflows, we have had to rely on short-term bank borrowings under current liabilities to fund a portion of our working capital requirements and expect to continue to do so in the future. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our interest-bearing bank borrowings, which included borrowing for our working capital needs and for intercompany loans, were RMB1,823.3 million, RMB2,592.7 million, RMB1,391.6 million and RMB2,223.5 million, respectively. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our unutilized banking facilities were RMB2,977.9 million, RMB3,061.6 million, RMB2,203.5 million and RMB1,033.9 million, respectively. As of December 31, 2011, we settled all of our intercompany loans. We do not intend to make any intercompany loans in the foreseeable future. As a result, we may reduce the amount of our total available borrowing balances. During 2009, 2010, 2011 and up to the Latest Practicable Date, we have ensured that we have sufficient unutilized banking facilities to cover any shortfall in our working capital. We had net current liabilities of RMB93.3 million, as of October 31, 2012, which was primarily due to (i) dividends of approximately RMB256.6 million declared and paid to Wison Investment, (ii) a reclassification of approximately RMB200.0 million indebtedness from non-current liability to current liability as the maturity date was less than one year from October 31, 2012, and (iii) incurrence of capital expenditures in the amount of approximately RMB262.0 million for the Shanghai research and development center. Despite this net current liabilities position, our Directors believe that, through our unutilized banking facilities and/or cash flow from operations, we will have sufficient financial resources to satisfy our liabilities as and when they fall due or as and when they are demanded.

In addition, as we venture into the international market, we may enter into contracts where, compared to our existing contracts in the PRC, the advance payments we receive from project owners will be less, or even none. If the equipment or raw material suppliers for those projects require advance payment from us, we could experience increasing working capital needs. See “Risk Factors—Risks Relating to Our Business—We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs” for a more detailed description of our cash flow mismatch and associated risks.

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### Working Capital

Taking into account the estimated net proceeds from the Global Offering, unpledged cash and bank balances, available banking and credit facilities and cash inflow from our profitable operations, our Directors believe that we will have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus. We are also not aware of any material change to the underlying drivers of our source of cash subsequent to June 30, 2012 and up to the Latest Practicable Date as otherwise disclosed below.

As of the Latest Practicable Date, we were not aware of any withdrawal of any banking facilities, early payment of outstanding loans required by banks, requests by banks to increase the amount of pledge(s) for secured borrowings, cancellation of orders, bankruptcy on the part of any clients and/or suppliers, or anything else that may materially and adversely affect our assets, operations, business, profits or cash flows. There was no default by any of our clients under any of our agreements with them that materially and adversely affected our financial position during the three years ended December 31, 2011 and up to the Latest Practicable Date.

### Liquidity Ratios

The following table sets forth, for the periods indicated, certain of our liquidity ratios.

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Inventory turnover days <sup>(1)</sup> . . . . .	16	8	8	14
Trade receivables turnover days <sup>(2)</sup> . . . . .	86	53	35	34
Trade payables turnover days <sup>(3)</sup> . . . . .	115	79	121	390

*Notes:*

- (1) Inventory turnover days are derived by dividing the arithmetic mean of the beginning and ending inventory balances for the relevant period by cost of sales, and multiplying by the number of days in the period.
- (2) Trade receivables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade receivables balances for the relevant period by total revenue, and multiplying by the number of days in the period. Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See “— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition” and “— Liquidity and Capital Resources — Gross Amounts Due from Contract Customers” for further details.
- (3) Trade payables turnover days are derived by dividing the arithmetic mean of the beginning and ending trade payables balances for the relevant period by cost of sales, and multiplying by the number of days in the period.

See “Business—Business Segments—Table of Our Major Projects” for a more detailed description of the projects referenced below.

### Inventory level and turnover days

We believe our inventory levels are relatively low as we generally procure the raw materials and equipment needed for our projects on a per-contract basis. Our inventory levels at the conclusion of any given year are generally dependent on the progress and construction phases of our projects as of December 31 of such year. If our contracts are in the early stages, which generally do not require the raw materials, parts or equipment purchased to be delivered to us, our inventory levels will be lower. Conversely, if our contracts are in the middle stages, where the raw materials, parts and equipment purchased have been delivered to us, our inventory levels will be higher.

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Our inventory balance is higher with respect to a particular project when equipment and raw materials purchased have been delivered to us at a particular point during its project timetable, which often corresponds to the beginning of the principal construction phase of a project. However, as we also implement on-site inventory management by carefully planning the delivery schedule of the equipment and raw materials purchased, our inventory level may not correspond directly with the principal construction phase of a particular project. Further, our project timetables also generally cover multiple financial periods while inventory level is measured at the end of each financial period on the relevant balance sheet date. For these reasons, we do not believe that our inventory balance and inventory turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

Our inventory balances were RMB51.9 million, RMB117.0 million, RMB46.8 million and RMB59.1 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Our inventory balance was higher as of June 30, 2012 compared to that as of December 31, 2011 primarily due to the increases in inventory levels for Projects 46 (Baoji Methanol Project) and 52 (Erdos Guotai Chemical Coal-to-Methanol Project) as the raw materials and equipment purchased for these projects were delivered to us during the first half of 2012. This increase was offset in part by decreases in inventory levels for Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 17 (PetroChina Fushun Ethylene Plant Project) where a significant portion of the raw materials, parts and equipment inventories as of December 31, 2011 had been consumed by June 30, 2012. Our inventory balance was higher as of December 31, 2010, compared to that as of December 31, 2009, primarily due to Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) being at the stage where raw materials and equipment purchased had been delivered to us in December 31, 2010. Our inventory balance was lower as of December 31, 2011 than as of December 31, 2010 primarily due to the decreases in inventory levels for Projects 21 (PetroChina Sichuan Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) when a significant portion of the raw materials, parts and equipment in their inventory as of December 31, 2010 had been consumed by December 31, 2011. As of October 31, 2012, we consumed approximately RMB35.6 million, or 60.2%, of the RMB59.1 million inventory balance as of June 30, 2012.

For 2009, 2010 and 2011 and the six months ended June 30, 2012, our inventory turnover days were 16, eight, eight and 14, respectively. Our inventory turnover days as of June 30, 2012 increased as compared to that as of December 31, 2011, primarily due to an increase in our inventory level as of June 30, 2012 and a lower level of activity in the first half of each calendar year, and a correspondingly lower rate of recognition of cost and revenue. Our inventory turnover days decreased in 2010 compared to 2009, notwithstanding a temporary increase in our inventory level as of December 31, 2010, due to increased efficiency in our on-site inventory management for the projects we undertook during these periods. While the scale of our projects may have increased, our inventory management system has kept the level of on-site inventory in check. Our inventory turnover days remained steady from 2010 to 2011 notwithstanding a lower inventory level as of December 31, 2011 compared to December 31, 2010, as our average inventory level for the 2011 was comparable to 2010.



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### **Trade receivables level and turnover days**

Our trade receivables turnover days may not reflect an average collection period between recognized revenue and cash receipt typical of that of other companies. Our trade receivables turnover days reflect the average collection period between confirmed progress billings by our clients and cash receipt by us. See “— Factors Affecting Our Results of Operations and Financial Condition — Timing of Our Cash Flow and Revenue Recognition” for further details. With respect to milestone payments for our construction contracts, as most of our clients are state-owned enterprises that have lengthy internal payment approval procedures, we normally agree (typically on an informal, case by case basis, rather than by an amendment to the terms of our contracts) to a credit period that is no more than 90 days from the date of the invoices from time to time, notwithstanding that in our contracts, we typically establish a credit period of 30 days after the payment milestones stipulated in the contracts and our clients’ receipt of invoices. Depending on our relationship management and business development objectives, we may be receptive to additional flexibility through offering payment terms even longer than 90 days to our clients when we consider it appropriate. We generally offer similar payment terms to our clients in each of our business segments. In order to determine the particular payment date along the timetable of a specific project, we enter into arm’s length negotiation with each project owner taking into account factors such as the inspection procedures required and the fund flow procedures of the project owner. For example, since many of our clients are subsidiaries of PetroChina, an industry leader in the petrochemicals market in the PRC that is also a state-owned enterprise, we believe that the credit risk of non-payment by these clients is relatively small. As a result, we only make provision for impairment on a project-by-project basis when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that we will not be able to collect all of the amount due under the original terms of an invoice. Therefore, we have not made provision for impairment in any material amount during the three years ended December 31, 2011.

In addition, our contracts typically contain guarantee clauses pursuant to which we guarantee the quality of our work after the completion of projects, generally for a term of 12 to 18 months. We typically provide all such guarantees in the form of letter guarantees issued by PRC banks which generally guarantee 5% of the contract amounts.

As a result, our trade receivables balances are generally higher with respect to a particular project following its principal construction phase. See “Business—Credit Control and Cash Flow Management—Payment Arrangements with Our Clients” for further description of the payment schedule generally set out in our project contracts. However, as our project timetables generally cover multiple financial periods while our trade receivables level is measured at the end of each financial period on the relevant balance sheet date, we do not believe that our trade receivables balance and trade receivables turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

### ***June 30, 2012***

As of June 30, 2012, our largest trade receivables accounts were Projects 44 (Erdos Jinchengtai Methanol Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).



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Our trade receivables account decreased by RMB6.5 million, or 4.0%, from RMB163.8 million as of December 31, 2011 to RMB157.3 million as of June 30, 2012, primarily due to a decrease in trade receivables relating to Project 46 (Baoji Methanol Project) as we collected our outstanding receivables before June 30, 2012. The decrease in our trade receivables balance was offset in part by an increase in trade receivables relating to Projects 44 (Erdos Jinchengtai Methanol Project), as we had issued and confirmed with relevant clients certain progress billings for which we had not yet received payments as of June 30, 2012. As of October 31, 2012, approximately RMB61.8 million, or 39.3%, of the RMB157.3 million trade receivables outstanding as of June 30, 2012 were settled.

Our trade receivables turnover days for the six months ended June 30, 2012 was 34 days compared to 35 days for the year ended December 31, 2011.

### **2011**

In 2011, our largest trade receivables accounts were Projects 44 (Erdos Jinchengtai Methanol Project) and 46 (Baoji Methanol Project).

Our trade receivables balances decreased by RMB638.3 million, or 79.6%, from RMB802.1 million as of December 31, 2010 to RMB163.8 million as of December 31, 2011 primarily due to decreases in Projects 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project) and 24 (Dushanzi Polybutadiene Rubber Plant Project) as these projects had either progressed beyond their principal construction phases or had been completed for some time by December 31, 2011 and most of their outstanding receivables had been settled by that date. The decrease in our trade receivables balances was offset in part by the increase in receivables relating to Project 46 (Baoji Methanol Project), which commenced in March 2011 and for which we had issued and confirmed progress billings by December 31, 2011.

Our trade receivables turnover days decreased from 53 days for 2010 to 35 days for 2011 primarily due to the decrease in trade receivables balance as of December 31, 2011.

### **2010**

In 2010, our largest trade receivables account balances were Projects 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project), 43 (Erdos Guotai Methanol Project), 44 (Erdos Jinchengtai Methanol Project), 11 (PetroChina Dushanzi FDPE Plant Project), 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project) and Project 42 (Wison (Nanjing) Synthesis Gas Project).

Our trade receivables balance increased by RMB171.5 million, or 27.2%, from RMB630.6 million as of December 31, 2009 to RMB802.1 million as of December 31, 2010 primarily due to increases from Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 24 (Dushanzi Polybutadiene Rubber Plant Project) and 44 (Erdos Jinchengtai Methanol Project), as we had issued to and confirmed progress billings by clients in a large aggregate amount at the end of 2010 for collection after December 31, 2010; offset

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in part by decreases from Project 42 (Wison (Nanjing) Synthesis Gas Project), which was completed in November 2009, and Project 17 (PetroChina Fushun Ethylene Plant Project), which progressed beyond its principal construction phase by the end of 2010.

Our trade receivables turnover days decreased from 86 days for 2009 to 53 days for 2010 as the credit period for Project 17 (PetroChina Fushun Ethylene Plant Project) entered into a stage where payment was made on a monthly basis.

### 2009

In 2009, our largest trade receivables account balances were for Projects 17 (PetroChina Fushun Ethylene Plant Project), 42 (Wison (Nanjing) Synthesis Gas Project), 43 (Erdos Guotai Methanol Project) and projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, namely Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 11 (PetroChina Dushanzi FDPE Plant Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).

### Aging Analysis

To a large extent, our year-end trade receivables balances, and consequently our trade receivables turnover days during any given year, are subject to the contract values of our contracts in progress during the year and the particular billing milestones achieved with respect to those contracts as of the end of the year. Our year-end trade receivables balances and trade receivables turnover days are also affected by the payment practices of our clients, which are predominantly subsidiaries of industry leaders in the petrochemicals market in China that are also state-owned enterprises that must comply with internal approval policies before payments to us can be made. Specifically, if our progress billings are issued to and confirmed by our clients at the end of the year, our clients typically will not obtain the necessary internal approvals to authorize payments to us until the early part of the next year. As a result, our trade receivables turnover days, which are based on period-ending balances, are typically larger than the average credit period we grant to our clients.

The aging analysis of our trade receivables that are not considered to be impaired as of the balance sheet dates, based on the invoice dates, and net of provision for doubtful debts, is as follows:

	As of December 31,			Six months ended June 30,
	2009	2010	2011	2012
	<i>(RMB in millions)</i>			
<b>Trade Receivables Age:</b>				
Neither past due nor impaired	618.6	712.0	82.9	60.0
Less than three months	3.0	2.1	14.6	16.1
Four to 12 months	6.6	42.1	26.7	36.2
One to two years	1.8	44.9	37.9	39.9
Two to three years	0.6	1.0	1.6	5.0
Over three years	—	—	0.1	0.1
<b>Total</b>	<u>630.6</u>	<u>802.1</u>	<u>163.8</u>	<u>157.3</u>

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As of December 31, 2009, 2010 and 2011 and June 30, 2012, approximately RMB114.2 million, RMB123.8 million, RMB12.1 million and RMB11.4 million, respectively, were attributable to retention money withheld by the project owners. See “Business—Pricing and Risk Management—Warranty Period, Retention Money and Bank Guarantee” for additional disclosure regarding the retention money practice.

The decrease in our trade receivables as of June 30, 2012 from those as of December 31, 2011 was mainly attributable to Project 46 (Baoji Methanol Project).

The increase in our trade receivables over three months as of December 31, 2010 and 2011 related principally to two projects. The trade receivables over three months from Projects 43 (Erdos Guotai Methanol Project) and 44 (Erdos Jinchengtai Methanol Project) as of December 31, 2010 amounted to RMB49.4 million (2009: nil) and RMB21.4 million (2009: nil), respectively, of which, RMB49.4 million and RMB13.0 million had been collected from Projects 43 (Erdos Guotai Methanol Project) and 44 (Erdos Jinchengtai Methanol Project) as of December 31, 2011, respectively.

Of the trade receivables over three months as of December 31, 2011, approximately RMB52.1 million (2010: RMB21.4 million) were attributable to Project 44 (Erdos Jinchengtai Methanol Project). Of the trade receivables over three months as of June 30, 2012, approximately RMB60.2 million were attributable to Project 44 (Erdos Jinchengtai Methanol Project). As of the Latest Practicable Date, we had collected RMB10 million of the RMB60.2 million trade receivables over three months outstanding attributable to Project 44 (Erdos Jinchengtai Methanol Project) as of June 30, 2012.

Our trade receivables over one year as of December 31, 2011 and June 30, 2012 may be attributable to: (i) the relevant regulators of the project owners may not have completed the audit on the completion and settlement of the projects and the audit cycle is uncertain; and (ii) the clients are undergoing certain internal adjustments that are cumbersome and time-consuming. Nevertheless, we believe most of our trade receivables over one year will be repaid. As such, though a portion of trade receivables have become overdue, we have no disputes with our clients.

### **Gross amounts due from contract customers**

A typical engineering and construction contract includes a schedule of progress billings, according to which we send progress billings for clients' confirmation based on the agreed payment schedules or milestones as stipulated in the contract. Once confirmed by a client, the confirmed amount will become an account receivable until payment is made by the client. As such, progress billings are not directly related to the percentage of completion. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers, until progress billings are issued and confirmed by the relevant clients in accordance with the billing milestones specified in the contract, at which point the relevant amounts migrate to trade and bills receivables. Generally, on each of the projects we undertake, we experience higher amounts due from contract customers at the later stage of the project when our recognized revenue exceeds our progress billings, including bills for retention money that becomes due at some time after the completion of the project. A majority of our customers during the three years ended December 31, 2011 and up to the Latest Practicable Date

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were state-owned enterprises, which normally have extensive and time-consuming internal approval policies and procedures relating to the confirmation of our progress billings. As a result, we may experience increases in our amounts due from contract customers in given periods. Our gross amounts due from contract customers convert automatically to trade receivables once the relevant billing milestone is reached and the progress billings are issued to and confirmed by our clients. As a result, we do not make any provision for write-offs of gross amounts due from contract customers.

### ***June 30, 2012***

As of June 30, 2012, our gross amounts due from contract customers were RMB2,133.4 million. As of June 30, 2012, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principal of which were Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 21 (PetroChina Sichuan Ethylene Plant Project), 17 (PetroChina Fushun Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) of RMB556.8 million, RMB314.9 million, RMB277.4 million, RMB217.1 million, RMB188.8 million, RMB138.0 million and RMB110.2 million, respectively. We believe we have good business relationships with Shaanxi Changqing Energy & Chemical Co., Ltd., the client of Project 46, China Chengda Engineering Co., Ltd., the client of Project 40 and PetroChina and its subsidiaries, the clients of Projects 21, 17, 37, 20 and 38, for approximately two, three and ten years, respectively, and we do not have any payment dispute with any of them as of the Latest Practicable Date.

Our gross amounts due from contract customers increased by RMB37.2 million, or 1.8%, from RMB2,096.2 million as of December 31, 2011 to RMB2,133.4 million as of June 30, 2012 primarily due to an increase from Project 46 (Baoji Methanol Project), which was in the midst of its principal construction phase and had a larger amount of unbilled revenue as of June 30, 2012 than as of December 31, 2011. This increase was offset in part by decreases in projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as additional progress billings were issued to and confirmed by clients between January 1, 2012 and June 30, 2012.

Between July 1, 2012 and October 31, 2012, progress billings were issued by us to and were confirmed by clients in the amount of RMB698.7 million, or 32.8%, in relation to the RMB2,133.4 million of gross amounts due from contract customers as of June 30, 2012. Out of this RMB698.7 million amount, we collected RMB695.5 million, or 99.5%, as of October 31, 2012. The majority of the amounts due from contract customers as of June 30, 2012 were related to Project 17 (PetroChina Fushun Ethylene Plant Project), projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex and Project 46 (Baoji Methanol Project). Of the RMB1,434.7 million, or 67.2%, of gross amounts due from contract customers as of June 30, 2012, constituting amounts due from customers where progress billings were not issued by us or issued but pending customers' confirmation between July 1, 2012 and October 31, 2012, RMB1,240.1 million, or 86.4%, of such amounts, related to projects which did not reach a billing milestone between July 1, 2012 and October 31, 2012 and where we had not issued progress billings as of October 31, 2012, and RMB194.5 million, or 13.6%, of such amounts, related to projects which had reached a billing milestone

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and where we issued progress billings between July 1, 2012 and October 31, 2012 but were pending, as of October 31, 2012, our customers' confirmation. RMB339.4 million, or 27.4%, of the RMB1,240.1 million are amounts payable to us under our project contracts but retained by our clients pending completion of a warranty period. None of the RMB194.5 million represents an amount payable to us under our project contracts but retained by our clients pending completion of a warranty period. In particular, we did not bill, between July 1, 2012 and October 31, 2012, the full gross amounts due from contract customers in relation to the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex as the projects had completed their principal construction phases but had not reached the next project milestones for billing as of October 31, 2012. Between July 1, 2012 and October 31, 2012, we did not issue progress billings for the full gross amounts due from contract customers in relation to Project 46 (Baoji Methanol Project) primarily because we had made certain partial prepayments to our suppliers and there are timing differences between the prepayments we make to our suppliers under our supply contracts and our ability to issue progress billings and get confirmation from clients and collect such amounts from our contract customers under our project contracts. In particular, in order to ensure a smooth progression of construction, we signed procurement contracts with certain raw materials and equipment suppliers that required partial prepayments, while the milestones at which we can bill our clients under the project contracts had not been reached because such raw materials and equipment had not yet been delivered on site. For a description of the timing difference between our cash inflows and outflows, see “—Factors Affecting Our Results of Operations and Financial Condition—Timing of Our Cash Flow and Revenue Recognition”. The billing terms of the contracts underlying our gross amounts due from contract customers as of October 31, 2012 were in line with the agreed terms. As of the Latest Practicable Date, we did not have any dispute with our clients in terms of the gross amounts due from customers as of October 31, 2012.

The relatively high amounts due from contract customers as of December 31, 2011, and June 30, 2012 were caused in part by the relatively low amount of confirmed progress billings by clients as of such dates. This was due to (i) our clients usually take approximately 30 to 60 days to review and confirm the progress billings (including any revision, as appropriate) as their respective inspection departments, together with third party inspection teams (if third party certification is required), need to review the quality of work completed or equipment delivered; and (ii) most major projects that contributed to the significant increase in amounts due from contract customers as of December 31, 2011 and June 30, 2012 completed their principal construction phases by December 31, 2011, and the progress billings confirmations were or will be received only after the relevant billing milestone is reached (as a result of which, portions of the gross amount due from contract customers for such projects may not have migrated to accounts receivable until after December 31, 2011, or June 30, 2012). With major projects that completed their principal construction phases by December 2011, the next project milestone for billings on these projects will be project completion, which we currently expect to be in the second half of 2012. The gap between the end of the principal construction phase and project completion is based not only on the completion of principal construction but also subject to various factors and conditions, some internal to us and others relating to the project owner, which include but are not limited to: (a) insulation, corrosion protection, test runs, and cleaning performed by us, which could be affected by factors such as supply of electricity and water from the project owner; (b) the



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completion of relevant supporting facilities or other sub-projects within the entire project constructed by the project owner or other parties, which might be delayed due to various reasons not within our control; and (c) various inspections and acceptance tests organized and coordinated by the project owners, the procedures of which might be complicated and time-consuming for large scale projects such as the projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex.

The amounts due from contract customers as of December 31, 2011, June 30, 2012 and October 31, 2012 include certain amounts payable to us under our project contracts but retained by our clients pending completion of a warranty period. See “Business—Pricing and Risk Management—Warranty Period, Retention Money and Bank Guarantee”. RMB280.7 million, or 13.4%, RMB339.8 million, or 15.9%, and RMB447.1 million, or 16.0%, of our amounts due from contract customers as of December 31, 2011, June 30, 2012 and October 31, 2012, respectively, were such retained amounts.

### **2011**

As of December 31, 2011, our gross amounts due from contract customers were RMB2,096.2 million. As of December 31, 2011, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principal of which were Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and 21 (PetroChina Sichuan Ethylene Plant Project).

Our gross amounts due from contract customers increased by RMB1,628.2 million, or 347.9%, from RMB468.0 million as of December 31, 2010 to RMB2,096.2 million as of December 31, 2011 primarily due to increases from Project 46 (Baoji Methanol Project), which commenced in March 2011, and from the six projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, all of which had completed their principal construction phases as of December 31, 2011 but had not reached the billing milestone of completion of the construction of the entire complex. As a result of this, all six projects had significant amounts of recognized revenue for which progress billings had not been issued and confirmed as of December 31, 2011. This increase was also related to Project 17 (PetroChina Fushun Ethylene Plant Project), for which the progress billings for its retention money had not been issued and confirmed as of December 31, 2011.

### **2010**

As of December 31, 2010, our gross amounts due from contract customers were RMB468.0 million. Generally, during 2010, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principals of which were Projects 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 20 (PetroChina Sichuan LLDPE Plant Project), 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project), 15 (Nanjing BASF-YPC Ethylene Cracking Furnace Project) and 11 (PetroChina Dushanzi FDPE Plant Project).

Our gross amounts due from contract customers increased by RMB115.2 million, or 32.7%, from RMB352.8 million as of December 31, 2009 to RMB468.0 million as of December 31, 2010 primarily due to increases from Project 20 (PetroChina Sichuan LLDPE Plant Project), for which the progress billings for its retention money had not been issued as



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of December 31, 2010, and from Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), which was in the midst of its principal construction phase and had a larger amount of progress billings that had not been issued and confirmed as of December 31, 2010.

### 2009

As of December 31, 2009, our gross amounts due from contract customers were RMB352.8 million. Generally, during 2009, our contract revenue recognized to date exceeded progress billings in a number of our projects, the principals of which were Project 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), which has been completed in November 2012, Project 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project) completed in June 2009 and Project 44 (ErDOS Jinchengtai Methanol Project), estimated to be completed in December 2012.

### Prepayments, deposits and other receivables, net of provision for impairment

The following table sets forth our prepayments, deposits and other receivables, net of provision for impairment, for the periods indicated:

	As of December 31,			As of
	2009	2010	2011	June 30, 2012
	<i>(RMB in millions)</i>			
Current portion of prepaid land lease payment	0.4	0.4	0.4	4.5
Prepayments	19.1	20.0	211.4	69.0
Deposits	5.1	3.9	8.4	8.3
Interest receivable	8.3	11.8	6.9	12.5
Other receivable	28.7	30.7	21.1	87.9
	<u>61.6</u>	<u>66.8</u>	<u>248.2</u>	<u>182.2</u>
Less: non-current portion of the prepayment	<u>(17.6)</u>	<u>(17.6)</u>	<u>(167.8)</u>	<u>(20.0)</u>
	<u>44.0</u>	<u>49.2</u>	<u>80.4</u>	<u>162.2</u>

The increase in the current portion of the prepaid land lease payment from RMB0.4 million as of December 31, 2011 to RMB4.5 million as of June 30, 2012 relates primarily to the current portion of the prepaid land lease for the parcel of land in Shanghai that will serve as our planned research and development center. As we obtained the title certificate for such parcel of land in Shanghai prior to June 30, 2012, the prepayment for such land lease as of December 31, 2011 was recognized as our asset as of June 30, 2012.

Prepayments as of June 30, 2012 comprise (i) prepayments of RMB35.1 million made for the acquisition of certain raw materials, parts and equipment by Wison Energy (HK), (ii) IPO expenses to be capitalized in the amount RMB9.8 million, (iii) a prepayment of RMB3.9 million for a joint research and development project with Shell Global Solutions to develop certain hybrid gasification technology.

The significant increase in our prepayments in 2011 pertains primarily to the acquisition of the land use rights for a parcel of land in Shanghai that will serve as our planned research and development center in the amount of RMB167.8 million, which is also

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reflected in the non-current portion of our prepayments. Other components of our prepayments in 2011 also included prepayments for a joint research and development project with Shell Global Solutions to develop certain hybrid gasification technology and prepayments made for the acquisition of certain raw materials, parts and equipment by Wison Energy (HK), which began to import certain raw materials, parts and equipment for our Group starting from January 2011 and prepayment for the building construction in connection with our planned research and development center.

Our deposits primarily related to deposits for leased offices and deposits to enter into contract bidding. The general increase in our deposits is in line with the growth of our operations.

Our interest receivable primarily related to interest from pledge bank balances and time deposits.

Our other receivables pertain primarily to advances made to employees, and to other companies for equipment purchased in relation to construction projects. The fluctuation in its balance from period to period was due primarily to the occurrence of advances or settlement of advances, depending on the construction phases of the projects as of the ending date of the relevant period.

### **Trade payables level and turnover days**

For a description of the payment schedule with our suppliers and construction sub-contractors, see “Business—Credit Control and Cash Flow Management—Payment Arrangements with Raw Materials and Equipment Suppliers” and “Business—Credit Control and Cash Flow Management—Payment Arrangements with Construction Sub-contractors”. As our project timetables generally cover multiple financial periods while trade payables level is measured at the end of each financial period on the relevant balance sheet date, we do not believe that our trade payables balance and trade payables turnover days, or their variation from period to period, should be relied upon unduly in analyzing our financial condition.

#### ***June 30, 2012***

As of June 30, 2012, our largest trade payables balances were related to Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 17 (PetroChina Fushun Ethylene Plant Project) and 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project).

Our trade payables balances decreased by RMB120.7 million, or 8.0%, from RMB1,508.2 million as of December 31, 2011 to RMB1,387.5 million as of June 30, 2012 primarily due to decreases from Projects 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) as these projects had completed their principal construction phases for some time and we had been paying our trade payables. These decreases were offset in part by an increase from Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project), 54 (Pucheng Polyethylene Plant Project) and 58 (Zhoushan Wison Marine Engineering Base Project). Our trade payables balances as of June 30, 2012 were within their respective credit terms and in

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accordance with the payment terms in the relevant contracts. As of October 31, 2012, approximately RMB454.5 million, or 32.8%, of our RMB1,387.5 million outstanding trade payables as of June 30, 2012 were settled.

Our trade payables turnover days for the six months ended June 30, 2012 was 390 days compared to 121 days for the year ended December 31, 2011 due primarily to Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex having completed their principal construction phase as of December 31, 2011, and therefore we incurred lesser costs of sales for purchases of raw materials and equipment in the six months ended June 30, 2012 compared to 2011 when we had more projects under their principal construction phases (both at the beginning and ending balance sheet date for the period). In addition, a portion of the contract price under our supply contracts and construction sub-contracts (normally 5% or 10% with respect to each of the supply contract price and the construction sub-contractor's contract price) becomes payable only after the expiry of a warranty period, which on average is about 12 months after the delivery of the equipment on site or 12-24 months after the completion of work by such construction sub-contractors and approval of such work by us in accordance with the relevant credit terms. This factor also prolonged our trade payable turnover days in the six months ended June 30, 2012, as we had a number of projects that had only recently completed their principal construction phases at the end of 2011. See "Business—Credit Control and Cash Flow Management—Payment Arrangements with Raw Materials and Equipment Suppliers". Also, the level of our business activities is generally lower in the beginning of a calendar year, which typically results in lesser cost of sales. See "Factors Affecting our Results of Operations and Financial Condition—Business Fluctuations".

### **2011**

In 2011, our largest trade payables accounts were related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and 46 (Baoji Methanol Project).

Our trade payables balances increased by RMB477.0 million, or 46.2%, from RMB1,031.2 million as of December 31, 2010 to RMB1,508.2 million as of December 31, 2011 primarily due to increases from Projects 46 (Baoji Methanol Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project).

Our trade payables turnover days increased from 79 days as of December 31, 2010 to 121 days as of December 31, 2011 due primarily to Project 17 (PetroChina Fushun Ethylene Plant Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, which were near completion. As disclosed above, under our contracts with the key equipment suppliers and construction sub-contractors for these projects, a portion of the contract price is withheld until the expiry of a warranty period. As a result of the withholding for this equipment and sub-contracted work for these projects, our overall trade payables turnover days increased for 2011 as compared to 2010.

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### 2010

In 2010, our largest trade payables accounts were accounts related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) and 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project).

Our trade payables balances increased by RMB442.3 million, or 75.1%, from RMB588.9 million as of December 31, 2009 to RMB1,031.2 million as of December 31, 2010 primarily due to increases from Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 20 (PetroChina Sichuan LLDPE Plant Project) and 17 (PetroChina Fushun Ethylene Plant Project), as we incurred a significant amount of purchasing expenses for raw materials, parts and equipment for each of these projects, which were in the midst of their principal construction phases as of December 30, 2010; offset in part primarily by decreases from Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project) and 42 (Wison (Nanjing) Synthesis Gas Project), which were completed in June and November 2009, respectively.

While we had a higher level of trade payables balance as of December 31, 2010 than as of December 31, 2009, our trade payables turnover days decreased from 115 days for 2009 to 79 days for 2010 as we endeavored to pay our creditors faster when the global economy moved out of the recession.

### 2009

In 2009, our largest trade payables accounts were accounts related to Projects 17 (PetroChina Fushun Ethylene Plant Project), 40 (PetroChina Sichuan Refinery and Petrochemical Complex Utilities Project) and projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, namely, Projects 9 (PetroChina Dushanzi Styrene Butadiene Rubber Plant Project), 11 (PetroChina Dushanzi FDPE Plant Project) and 7 (PetroChina Dushanzi Ethylene Cracking Furnace Project).

### ***Aging Analysis***

An aging analysis of our trade payables as of the balance sheet dates, based on invoice dates, is as follows:

	As of December 31,			As of
	2009	2010	2011	June 30, 2012
	<i>(RMB in millions)</i>			
<b>Trade Payables Age:</b>				
Less than one year	519.8	885.9	1,345.0	1,068.3
One to two years	57.6	120.8	104.4	188.2
Two to three years	11.5	24.5	47.7	110.8
Over three years	—	—	11.0	20.2
<b>Total</b>	<u>588.9</u>	<u>1,031.2</u>	<u>1,508.1</u>	<u>1,387.5</u>

The increase in our trade payables over two years as of December 31, 2010 principally relates to projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex, and lasts more than two years from the date when we began to purchase

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equipment. As a part of the payment for some of the equipment we purchase becomes payable only after the facility has been commissioned for production, some of the equipment we purchased for these two project groups at the early stages of their construction cycles had a significantly long payment period due to the prolonged timetables of these projects. The increase in our trade payables less than one year from RMB885.9 million as of December 31, 2010 to RMB1,345.0 million as of December 31, 2011 principally relates to increased activities (and therefore payables) at Project 46 (Baoji Methanol Project) and projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex. The decrease in our trade payables between one to two years from RMB120.8 million as of December 31, 2010 to RMB104.4 million as of December 31, 2011 principally relates to decreased activities at Project 17 (PetroChina Fushun Ethylene Plant Project). The increase in our trade payables between two to three years from RMB24.5 million as of December 31, 2010 to RMB47.7 million as of December 31, 2011 principally relates to increased activities at projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex and Project 36 (PetroChina Guangxi Refinery Project). Our trade payables over three years of RMB11.0 million as of December 31, 2011 principally relates to increased activities at projects related to PetroChina Dushanzi Integrated Refinery and Petrochemical Complex. Nevertheless, as of the Latest Practicable Date, we had no dispute with our suppliers on these trade payables aged over two years. The decrease in our trade payables balance of less than one year from RMB1,345.0 million as of December 31, 2011 to RMB1,068.3 million as of June 30, 2012 related principally to decreased activities at projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex, Project 24 (Dushanzi Polybutadiene Rubber Plant Project) and Project 46 (Baoji Methanol Project). The increase in our trade payables of one to two years from RMB104.4 million as of December 31, 2011 to RMB188.2 million as of June 30, 2012 and the trade payables of two to three years from RMB47.7 million as of December 31, 2011 to RMB110.8 million as of June 30, 2012 related principally to increased activities related to projects related to PetroChina Sichuan Integrated Refinery and Petrochemical Complex and Project 17 (PetroChina Fushun Ethylene Plant Project). Our Directors have confirmed that none of the members of our Group had any material defaults in payment of trade payables during the three years ended December 31, 2011 and the six months ended June 30, 2012.

### **Gross amounts due to contract customers**

Where progress billings exceed contract costs incurred to date plus recognized profit less recognized losses, the surplus is treated as an amount due to contract customers. Generally, on each of the projects we undertake, we experience higher amounts due to contract customers at the early stages of a project when our progress billings, including those for advance payment, exceed revenue recognized.

#### ***June 30, 2012***

As of June 30, 2012, our gross amounts due to contract customers were RMB336.3 million, consisting primarily of gross amounts due to contract customers in relation to Project 52 (Erdos Guotai Chemical Coal-to-Methanol Project). As this project was still at an early stage as of June 30, 2012, it had not yet recognized a significant amount of revenue.

Our gross amounts due to contract customers increased by RMB335.7 million, from RMB0.6 million as of December 31, 2011 to RMB336.3 million as of June 30, 2012, as project

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billing exceeded revenue in a number of our projects, the principal of which were Projects 52 (Erdos Guotai Chemical Coal-to-Methanol Project) and 57 (Saudi De-Bottlenecking (DBN) Project). As of October 31, 2012, we had recognized relevant contract revenue in the amount of RMB319.9 million, or 95.1%, in relation to the RMB336.3 million gross amount due to contract customers as of June 30, 2012.

### **2011**

As of December 31, 2011, our gross amounts due to contract customers were RMB0.6 million, consisted primarily of gross amounts due to contract customers in relation to Project 44 (Erdos Jinchengtai Methanol Project).

Our gross amount due to contract customers decreased by RMB413.7 million, or 99.9%, from RMB414.3 million as of December 31, 2010 to RMB0.6 million as of December 31, 2011, as almost all of our major projects had progressed beyond their initial stages as of December 31, 2011, with the exception of Project 44 (Erdos Jinchengtai Methanol Project), whose issued and confirmed progress billings still exceeded revenue recognized as of December 31, 2011.

### **2010**

As of December 31, 2010, our gross amounts due to contract customers were RMB414.3 million, as project billings exceeded the revenue recognized to date in a number of our projects, the principal of which were Projects 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), 17 (PetroChina Fushun Ethylene Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project), 39 (PetroChina Sichuan Sulfur Recovery Plant Project) and 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project).

Our gross amounts due to contract customers decreased by RMB289.6 million, or 41.1%, from RMB703.9 million as of December 31, 2009 to RMB414.3 million as of December 31, 2010 primarily due to decreases from Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project) and 21 (PetroChina Sichuan Ethylene Plant Project), as they had progressed beyond their initial construction stage, offset in part primarily by increases from Project 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project), whose progress billings still exceeded recognized revenue as of December 31, 2010.

### **2009**

As of December 31, 2009, our gross amounts due to contract customers were RMB703.9 million, as project billings exceeded the revenue recognized to date on a number of our projects, the principal of which were Projects 17 (PetroChina Fushun Ethylene Plant Project), 38 (PetroChina Sichuan Gasoil Hydrocracking Plant Project), 21 (PetroChina Sichuan Ethylene Plant Project), 37 (PetroChina Sichuan Continuous Reforming Plant and PX Plant Project) and 39 (PetroChina Sichuan Sulfur Recovery Plant Project).



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### Other payables

The following table sets forth our other payables for the periods indicated.

	As of December 31,			As of
	2009	2010	2011	June 30,
	<i>(RMB in millions)</i>			2012
<b>Other Payables:</b>				
Interest payable .....	4.6	2.9	2.7	3.5
Payroll payable .....	50.3	54.1	58.6	28.0
Other taxes payable .....	59.2	178.1	71.9	58.1
Other payables .....	15.3	13.8	21.2	26.6
<b>Total</b> .....	<u>129.4</u>	<u>248.9</u>	<u>154.4</u>	<u>116.2</u>

The changes in our payroll payable from 2009 to 2011 were in line with the changes in our scale of business. Our other taxes payable principally relate to business taxes and VAT payable. The increase in our other taxes payable from 2009 to 2010 was primarily due to the increase in our revenue and its decrease from 2010 to 2011 was primarily due to better management in the collection of VAT receipts from our raw materials, parts and equipment suppliers, which in turn allowed us to timely apply for VAT deductions. The decrease in our payroll payable as of June 30, 2012 from that as of December 31, 2011 is primarily attributable to bonus payments. The decrease in our other taxes payable as of June 30, 2012 from that as of December 31, 2011 was primarily due to the decrease in our revenue. The fluctuation in our other payables primarily relates to the amount of retention money payable to our sub-contractors as of the end of each period. Our Directors have confirmed that no member of our Group had any material defaults in payment of non-trade payables during the three years ended December 31, 2011 and the six months ended June 30, 2012.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Years ended December 31,			Six months
	2009	2010	2011	ended
	<i>(RMB in millions)</i>			June 30,
				2012
Net cash from/(used in) operating activities .....	112.3	670.0	(380.3)	(61.5)
Net cash from/(used in) investing activities .....	(1,184.9)	(693.9)	1,693.8	(162.0)
Net cash from/(used in) financing activities .....	1,021.8	130.5	(1,345.6)	152.4
<b>Net increase/(decrease) in cash and cash</b>				
<b>equivalents</b> .....	<u>(50.8)</u>	<u>106.6</u>	<u>(32.1)</u>	<u>(71.1)</u>

### Cash flows from/(used in) operating activities

In the six months ended June 30, 2012, our net cash flow used in operating activities was RMB61.5 million. We had a loss before tax of RMB3.5 million, which was offset in part by depreciation of property, plant and equipment of RMB10.8 million primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had a decrease in net amount due from contract customers of RMB298.6 million; offset in part by a decrease in trade payables of RMB120.6 million, an increase in prepayments, deposits and

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other receivables of RMB78.0 million and a decrease in other payables, advances from customers and accruals of RMB37.7 million. See “—Liquidity and Capital Resources” for detailed analysis of our working capital changes in the six months ended June 30, 2012, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of June 30, 2012. We also had tax paid of RMB130.3 million.

In 2011, our net cash flow used in operating activities was RMB380.3 million. We generated profit before tax of RMB795.2 million, which was further increased by depreciation of property, plant and equipment of RMB19.9 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had a decrease in trade receivables of RMB639.3 million, an increase in trade payables of RMB477.0 million, and a decrease in inventories of RMB70.8 million, as a reflection of the different stages of project completion among our projects; offset in part by an increase in net amount due from contract customers of RMB2,041.9 million, a decrease in other payables, advances from customers and accruals of RMB77.4 million, an increase in prepayment, deposits and other receivables of RMB31.2 million and a decrease in derivative financial liabilities of RMB6.5 million. See “—Liquidity and Capital Resources” for detailed analysis of our working capital changes in 2011, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2011 and a description of changes as compared to December 31, 2010. We also had tax paid of RMB233.5 million.

In 2010, our net cash flow from operating activities was RMB670.0 million. We generated profit before tax of RMB818.6 million, which was further increased by depreciation of property, plant and equipment of RMB20.4 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had an increase in trade payables of RMB442.2 million, and an increase in other payables, advances from customers and accruals of RMB118.9 million, primarily due to an increase in tax payable in line with our increased revenue; offset in part by an increase in net amounts due from contract customers of RMB404.9 million, an increase in trade receivables of RMB170.3 million and an increase in inventories of RMB65.8 million, as a reflection of the different stages of project completion among our projects. See “—Liquidity and Capital Resources” for detailed analysis of our working capital changes in 2010, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2010 and a description of changes as compared to December 31, 2009. We also had tax paid of RMB88.4 million.

In 2009, our net cash flow from operating activities was RMB112.3 million. We generated profit before tax of RMB295.2 million, which was further increased by depreciation of property, plant and equipment of RMB21.1 million, primarily in relation to our building, office equipment and motor vehicles. For working capital changes, we had an increase in trade payables of RMB341.0 million, an increase in other payables, advances from customers and accruals of RMB34.4 million, a decrease in inventories of RMB16.1 million and a decrease in prepayments, deposits and other receivables of RMB11.1 million, as our projects were at a stage as of December 31, 2009 where we had an increase in trade payables balance and a decrease in inventory balance compared to December 31, 2008; offset in part by an increase in trade receivables of RMB371.4 million and an increase in net amounts due from contract

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customers of RMB213.5 million, as a reflection of the different stages of project completion among our projects. See “—Liquidity and Capital Resources” for detailed analysis of our working capital changes in 2009, including itemized major projects that accounted for our inventory, trade receivables and trade payables balances and the amounts due to and from contract customers as of December 31, 2009 and a description of changes as compared to December 31, 2008. We also had tax paid of RMB21.0 million.

### **Net cash from (used in) investing activities**

In the six months ended June 30, 2012, our net cash used in investing activities was RMB162.0 million, consisting of purchases of items of property, plant and equipment of RMB124.0 million primarily in relation to new building construction for our research and development center and purchases of office equipment, a deposit paid for purchase of its land use right of RMB13.8 million and a prepayment of RMB20.0 million for the building construction in connection with our planned research and development center in Shanghai.

In 2011, our net cash from investing activities was RMB1,693.8 million, consisting primarily of a decrease in amount due from fellow subsidiaries of RMB1,175.1 million, a decrease in amount due from related companies of RMB543.6 million and a decrease in amount due from the ultimate holding company of RMB343.5 million; offset in part by purchases of items of property, plant and equipment of RMB212.8 million primarily in relation to new building construction and purchases of office equipment for our research and development center and deposits paid for purchases of its land use rights of RMB150.2 million.

In 2010, our net cash used in investing activities was RMB693.9 million, consisting primarily of an increase in amounts due from fellow subsidiaries of RMB691.2 million, an increase in amounts due from related companies of RMB509.0 million, purchases of items of property, plant and equipment of RMB21.9 million in relation to new building construction and miscellaneous property, plant and equipment for our research and development center; offset in part by a decrease in amount due from the ultimate holding company of RMB530.4 million.

In 2009, our net cash used in investing activities was RMB1,184.9 million, consisting primarily of increase in amounts due from the ultimate holding company of RMB775.9 million and increase in amounts due from fellow subsidiaries of RMB405.0 million; offset in part by proceeds from disposal of equity investment at fair value through profit or loss of RMB50.0 million in relation to certain financial instruments.

### **Net cash from (used in) financing activities**

In the six months ended June 30, 2012, our cash flow from financing activities was RMB152.4 million, consisting primarily of new bank and other loans of RMB1,431.2 million. Our cash inflow from financing activities was offset in part by repayment of bank loans of RMB799.3 million, dividends paid of RMB266.6 million and an increase in pledged deposits of RMB210.6 million, primarily in connection with the increase in our letters of guarantees for our overseas construction contracts.

In 2011, our net cash used in financing activities was RMB1,345.6 million, consisting primarily of repayment of bank loans of RMB2,697.2 million and dividends paid of RMB984.8 million. Our cash outflow from financing activities was offset in part by new bank and other

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loans we incurred of RMB1,406.1 million, and a decrease in pledged deposits of RMB1,060.5 million, primarily in connection with the release of pledged deposits subsequent to the repayment of certain bank borrowings.

In 2010, our net cash from financing activities was RMB130.5 million, consisting primarily of new bank and other loans we incurred of RMB3,756.9 million. Our cash inflow from financing activities was offset in part by repayment of bank and other loans of RMB2,931.5 million and an increase in pledged deposits of RMB670.3 million, primarily due to the increase in our bank borrowing.

In 2009, our net cash from financing activities was RMB1,021.8 million, consisting primarily of new bank and other loans we incurred of RMB2,762.0 million. Our cash inflow from financing activities was offset in part by repayment of new bank and other loans of RMB1,171.4 million, and an increase in pledged deposits of RMB528.4 million.

### CAPITAL EXPENDITURES

The following table sets forth our historical capital expenditures for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	<i>(RMB in millions)</i>			
<b>Capital Expenditures:</b>				
Deposits paid for purchase of land use rights . . . . .	17.6	—	150.2	13.8
Property, plant and equipment . . . . .	7.0	21.9	212.8	144.0
Intangible . . . . .	1.6	3.2	6.8	3.4
<b>Total</b> . . . . .	<u>26.2</u>	<u>25.1</u>	<u>369.8</u>	<u>161.2</u>

Deposits paid for purchase of land use rights primarily relate to the land use rights for a parcel of land that will be used as our planned research and development center in Shanghai. The increase in our property, plant and equipment in 2011 primarily related to the construction of our research and development center on that parcel of land. The intangible assets we purchased in 2011 and the six months ended June 30, 2012 primarily related to computer software for our engineering usage.

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### INDEBTEDNESS, CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

#### Indebtedness

Historically, a significant portion of our operations have been financed with borrowings from commercial banks in China and overseas. Our bank borrowings have been denominated in Renminbi, Hong Kong dollars and U.S. dollars. As of October 31, 2012, our total consolidated debt obligations were RMB2,145.7 million. The following table sets forth, as of the dates indicated, certain information regarding our debt obligations.

	As of December 31,			As of	As of
	2009	2010	2011	June 30,	October 31,
				2012	2012
	<i>(RMB in millions)</i>				
	<i>(unaudited)</i>				
<b>Current:</b>					
Bank loans repayable within one year:					
Secured . . . . .	1,773.0	2,492.3	1,161.1	1,823.1	1,555.1
Unsecured . . . . .	50.0	100.0	230.0	400.0	450.0
Financial leases payable within one year . . . . .	0.3	0.4	0.5	0.4	0.3
<b>Total current borrowings</b> . . . . .	<u>1,823.3</u>	<u>2,592.7</u>	<u>1,391.6</u>	<u>2,223.5</u>	<u>2,005.4</u>
<b>Non-current:</b>					
Bank loans repayable in the second year:					
Secured . . . . .	233.8	90.0	200.0	—	140.0
Bank loans repayable in the third to fifth years:					
Secured . . . . .	—	200.0	—	—	—
Finance lease payables in the second to fifth years . . . . .	1.0	0.7	0.7	0.6	0.3
<b>Total non-current borrowings</b> . . . . .	<u>234.8</u>	<u>290.7</u>	<u>200.7</u>	<u>0.6</u>	<u>140.3</u>
<b>Total borrowings</b> . . . . .	<u>2,058.1</u>	<u>2,883.4</u>	<u>1,592.3</u>	<u>2,224.1</u>	<u>2,145.7</u>

Pursuant to the Subscription Agreements and the Facility Agreement dated July 5, 2011, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore provided guarantees to the Pre-IPO Investors and the Lenders to secure the obligations of the parties thereto upon the occurrence of an event of default under the Subscription Agreements and the Facility Agreement.

On July 6, 2011, our Company, Wison Technology and Wison Energy (HK) granted security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Pre-IPO Investors and the Lenders.

On July 6, 2011, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore granted security for the benefit of the Pre-IPO Investors and the Lenders over all its assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou).

On July 6, 2011, our Group granted security for the benefit of the Pre-IPO Investors and the Lenders over all its shares in Wison Technology, Wison Energy (HK) and Wison Singapore.

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Save as disclosed in this prospectus, our Directors have confirmed that the members of our Group have neither had any material defaults in payment of their bank borrowings nor breached any financial covenants applicable to them during the three years ended December 31, 2011 and up to the Latest Practicable Date.

### **Renminbi-denominated debt**

#### ***Bank loans***

A substantial portion of our operations are financed with borrowings from commercial banks in the PRC. A majority of our RMB bank borrowings are in the form of term loans payable within one year, which we typically repay upon maturity and refinance with further one-year term loans as necessary. As of December 31, 2011, we settled all of our intercompany loans and we do not intend to make any intercompany loans in the foreseeable future. As of October 31, 2012, we had outstanding loans from PRC banks in the aggregate principal amount of RMB2,145.1 million. The effective interest rates of our bank and other borrowings as of October 31, 2012 ranged from 5.8% to 7.2% per annum.

We have not experienced any difficulties in obtaining credit facilities during the three years ended December 31, 2011 and up to the Latest Practicable Date. As of October 31, 2012, we had RMB1,625.4 million in unutilized facilities denominated in Renminbi, and had not been requested to accelerate any of our repayments. Among our unutilized banking facilities as of October 31, 2012, unutilized banking facilities of approximately RMB31.8 million, RMB559.7 million, RMB115.1 million, RMB304.0 million, RMB315.0 million, RMB200.0 million and RMB99.9 million are available for draw down up to December 6, 2012, April 28, 2013, June 18, 2013, June 21, 2013, July 3, 2013, August 22, 2013 and September 28, 2013, respectively. While the banks do not have the discretion to restrict us from drawing down under these unutilized banking facilities, any such drawdown would be subject to our compliance with customary procedures of the relevant banks at the time of such drawdown.

These banking facilities include normal commercial covenants and conditions, among which: (a) Wison Engineering must obtain prior written consent of the lenders for any material share transfer or any material asset transfer where the transferred assets account for more than 20% of Wison Engineering's latest audited total assets or the profit derived from such assets accounts for more than 20% of its latest audited profit, and (b) Wison Engineering must provide written notice 30 days in advance to the lenders of the following events and obtain written consent from the lenders if the lenders consider the following events to be material: (i) disposal of more than 10% of its net assets, (ii) declaration of dividends in an amount more than 30% of its after-tax net profit or 20% of its unallocated profit, (iii) investing in a third party in an amount more than 20% of its net assets, and (iv) applying for banking facilities from other banks, providing guarantees to a third party or waiving the debts owed by a third party in an amount more than 20% of its net assets. These banking facilities also include certain financial covenants, among which: (a) the liability/asset ratio of Wison Engineering must be no more than 85%; (b) the guarantees provided by Wison Engineering must not be higher than 0.5 times its net assets; and (c) if the after-tax profit in any year is insufficient to cover the loss of the previous year, Wison Engineering is not permitted to distribute dividends to its shareholders. Some of the banking facilities also include cross-default provisions. These commercial and financial covenants relate specifically to Wison Engineering, as Wison Engineering is the borrower under these banking facilities.



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### **U.S. dollar-denominated debt**

Our U.S. dollar denominated loans bear interest at floating rates of the LIBOR or the Hong Kong Inter Bank Offered Rate. As of October 31, 2012 and up to the Latest Practicable Date, we have no outstanding U.S. dollar-denominated loan, no unutilized facilities denominated in U.S. dollars and had not been requested to accelerate any of our repayments.

#### ***Facility Agreement***

On July 5, 2011, Wison Investment entered into a Facility Agreement with certain Lenders, including BOCOM, the holding company of BOCOM Asia. Pursuant to this Facility Agreement, the Lenders provided, among other things, a US\$100.0 million loan facility funded by each Lender severally, at a fixed rate of 9.0% per annum. All outstanding loans under the Facility Agreement must be mandatorily prepaid in full together with any and all accrued interest, (i) on the seventh Business Day after a Qualifying IPO, or (ii) on the date falling 18 months from July 5, 2011, the date of the Facility Agreement, if a Qualifying IPO has not occurred by then. As a term of the Facility Agreement, Wison Investment must ensure that all amounts borrowed under the facility are applied towards certain loans and payable owed by Wison Holding and its subsidiaries (other than our Group) to our Group. The obligations of Wison Investment under the Facility Agreement are also guaranteed jointly and severally by our Company, Wison Technology, Wison Energy (HK) and Wison Singapore. The guarantee will be released immediately prior to Listing. Pursuant to a letter dated December 3, 2012, the Lenders agreed to deem the Listing to be a Qualifying IPO for the purposes of the Facility Agreement on the condition that on the date falling seven Business Days after the Listing, Wison Investment, the Selling Shareholder, shall repay (i) all outstanding loans together with accrued interest thereon and (ii) an exit fee as computed in accordance with the Facility Agreement. Pursuant to a letter dated December 11, 2012, BOCOM agreed that, insofar as its portion of the outstanding principal amount under the Facility Agreement, being US\$64,000,000, is concerned, the final repayment date and any reference to “the date falling 18 months from the date of the Facility Agreement” shall be amended to and replaced by “December 31, 2013”, provided that if no Qualifying IPO has occurred by December 31, 2012, any outstanding amount owing to BOCOM shall continue to be secured on the terms under the Facility Agreement until its final repayment in full and BOCOM shall remain entitled to the exit fee as computed in accordance with the Facility Agreement.

The Facility Agreement includes customary covenants, including: (a) none of the members of our Group may create or permit to subsist any security over any of its assets, except as permitted under the Facility Agreement; (b) none of the members of our Group may sell, lease, transfer or otherwise dispose of any asset, except as permitted under the Facility Agreement; (c) none of the members of our Group may incur, or allow to remain outstanding any financial indebtedness, except as permitted under the Facility Agreement; and (d) none of the members of our Group may acquire any securities or interests in any company, except as permitted under the Facility Agreement.

#### ***Payment of Waiver Fee to Credit Suisse and UOB***

Pursuant to the Facility Agreement, we were required to provide the audited consolidated financial statements of our Group evidencing the termination of certain related party transactions (the “RPT Termination”) by November 6, 2011, which we failed to provide by the said date due to prolonged discussions among the parties to the Facility Agreement,

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Wison Investment and the Lenders, regarding the form and nature of the report to be provided by the auditors in connection with the RPT Termination which resulted in a breach of the obligation (the “Breach”). The Breach constitutes a material event of default for the purposes of the Facility Agreement and would entitle the Lenders to demand early repayment of the term loan facility granted under the Facility Agreement as a result of an acceleration by reason of the occurrence of the Breach, and an exit fee would be payable by Wison Investment in addition to the outstanding loan and accrued and unpaid interest (the “Exit Fee”).

In consideration of the Lenders’ agreement to refrain from exercising their rights under the Facility Agreement in respect of the Breach by irrevocably waiving the Breach under the Facility Agreement, Wison Investment agreed to pay to Credit Suisse and UOB (in their capacity as Lenders under the Facility Agreement) a waiver fee equal to US\$510,000 and US\$410,000, respectively (collectively, the “Waiver Fee”), and BOCOM (in its capacity as a Lender under the Facility Agreement) agreed that the Waiver Fee would be paid by Wison Investment solely to Credit Suisse and UOB for their own account, and that no waiver fee would be paid to BOCOM. Accordingly, Wison Investment, Wison Holding and we have sought on June 1, 2012, and the facility agent of the Facility Agreement, the trustee of the Bonds and the security trustee of the Facility Agreement and the Bonds have granted on June 4, 2012, consent to the payment of the Waiver Fee in relation to the Breach. Such Waiver Fee was arrived at after arm’s length negotiations among the relevant parties taking into account the Exit Fee as stipulated in the Facility Agreement. Further, the loan advanced by the Lenders under the Facility Agreement shall continue to subsist in accordance with the terms of the Facility Agreement notwithstanding the Breach. In addition, the Obligors have undertaken to procure the delivery of the auditor’s report of factual findings in connection with the RPT Termination by June 30, 2012.

### ***Working capital credit line***

On September 29, 2011 and October 19, 2011, through two four-party agreements and their related agreements, BOCOM Offshore Banking Unit granted credit lines of US\$30.0 million and US\$10.0 million due, respectively, on September 28, 2012 and October 18, 2012, to Wison Energy (HK), secured by Renminbi deposits pledged by Wison Engineering to Bank of Communications Co., Ltd. Shanghai branch. Each credit line bears an annual interest rate of six-month LIBOR plus 2.7% (the “BOCOM Credit Lines”). The BOCOM Credit Lines were repaid on September 28, 2012 and October 18, 2012, respectively.

### **Monitoring compliance with financial or commercial covenants**

To ensure compliance with the financial or commercial covenants that we are subject to under the Renminbi-denominated debt and the U.S. dollar-denominated debt, as described in “—Renminbi-denominated debt” and “—U.S. dollar-denominated debt” above, we have established internal control procedures whereby each relevant Group Company has designated relevant staff to review the covenants applicable to such Group Company and to monitor compliance with covenants on an ongoing basis. These staff members report formally to our senior management on a quarterly basis, and are required to raise any compliance issues with management on an interim basis. The quarterly reports are also subject to internal audits by our internal audit department on a sampling basis to check whether relevant internal control procedures have been followed and check the calculations. During the three years ended December 31, 2011 and up to October 31, 2012, save for the Breach as disclosed

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above, we did not breach any of the covenants or conditions set forth in our facility agreements.

### **Off-balance sheet arrangements**

Other than the guarantee we made pursuant to the Facility Agreement, we have no off-balance sheet investments or arrangements as of the Latest Practicable Date.

#### ***Non-delivery foreign exchange forward contracts***

We entered into a non-delivery foreign exchange forward contract (“NDF”) in April 29, 2010 to purchase US\$32.0 million on April 27, 2011 at a rate of RMB6.646 to US\$1.00, the gain or loss under which was settled in U.S. dollars. The NDF was offered to us in conjunction with a US\$32.0 million term loan facility due on the same date granted to us by the Hong Kong branch of China Merchants Bank. The purpose of this NDF was to hedge our foreign currency exposure. By taking out an NDF in the same amount as our foreign currency loan, we were able to fix the exact amount of Renminbi we would need to settle our U.S. dollar loan upon maturity. This NDF was settled in full on April 29, 2011.

On April 27, 2011, we extended our US\$32.0 million loan with the Hong Kong branch of China Merchants Bank to August 24, 2011. In connection with this loan extension, we again entered into a NDF to purchase US\$32.0 million on the maturity date of the loan at a rate of RMB6.408 to US\$1.00 in order to hedge our foreign currency exposure. This loan was fully repaid on August 24, 2011 and the NDF was fully settled on the same date.

We have not accounted for these NDFs using hedge accounting, but have instead adopted the accounting treatment in relation to the recognition and measurement of financial assets and financial liabilities. We have decided not to account for these NDFs using hedge accounting because we consider the financial impact immaterial and we would need to incur additional time and effort to assess whether these forward contracts fulfill the requirements for hedge accounting under IFRS.

### **Commitments**

We enter into purchase contracts and operating leases from time to time in connection with our business expansion. As of October 31, 2012, we had contractual obligations to purchase equipment and materials in connection with our construction contracts in an aggregate amount of RMB1,349.7 million and had entered into operating leases pursuant to which we had the obligation to make lease payments totaling RMB31.0 million in the aggregate.

### **Guarantees**

#### ***Construction contract guarantees***

Our construction contracts typically contain guarantee clauses pursuant to which we guarantee (i) the performance of our services, (ii) the proper use of advances received, if any, and (iii) the quality of our work after the completion of the project. In the three years ended December 31, 2011 and up to the Latest Practicable Date, we provided these guarantees in the form of letter guarantees issued by banks in China on our behalf. As of October 31, 2012, letter guarantees issued by banks in China guaranteed an aggregate amount of RMB703.6 million, representing 7.3% of the total contract amounts guaranteed. Such guarantees were secured by an aggregate of RMB339.3 million in pledged deposits we made with the guarantee banks, which deposits may be foreclosed upon in the event there are defects in the

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quality of our work and our clients succeed in collecting upon the guarantees issued by the banks. No payment demands have been issued against us under such guarantees.

### Contingent Liabilities

In 2010, we submitted an application for special tax treatment under Circular No.59 for Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou and Wison Engineering. To date, the relevant authorities have not reverted on this application. We calculated our prospective tax liability in relation to the transfer of equity interests in Wison Yangzhou and Wison Engineering. We paid RMB10.4 million in December 2011 and made a provision of RMB4.4 million in our financial statements as of October 31, 2012 accordingly. The provision was based on a valuation of Wison Yangzhou and Wison Engineering performed by a PRC valuer.

Except for the contingent liabilities and guarantees as stated above, we had no other contingent liabilities as of the Latest Practicable Date.

Save as disclosed in “—Indebtedness, Contractual Obligations and Other Off-balance Sheet Arrangements—Indebtedness” in this prospectus, as of October 31, 2012, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgage, charge, debenture or other loan capital (issued or agreed to be issued), bank overdraft, loan, liability under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantee or other material contingent liability.

Save as disclosed above, our Directors confirmed that there were no material changes in our indebtedness since October 31, 2012 and up to the date of this prospectus.

### Property Value Reconciliation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of September 30, 2012. The full text of the letter, summary of valuation and valuation certificates with respect to such property interests are set out in Appendix III to this Prospectus.

The table below sets forth the reconciliation between the net book value of our property interests as of June 30, 2012 and the valuation of such property interest as of September 30, 2012:

	<i>RMB'million</i>
Net book value of the property interests as of June 30, 2012 as set out in Appendix I to this prospectus	
— Buildings .....	189.9
— Construction in progress .....	326.2
— Investment property .....	15.6
— Prepaid land lease payments .....	193.9
Net book value as of June 30, 2012 .....	725.6
Add: Additions during the period from July 1, 2012 to September 30, 2012 .....	112.8
Less: Depreciation during the period from July 1, 2012 to September 30, 2012 .....	(3.8)
Net book value as of September 30, 2012 .....	834.6
Valuation surplus as of September 30, 2012 .....	319.1
Valuation as of September 30, 2012 as set out in the property valuation report in Appendix III to this prospectus .....	1,153.7

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## FINANCIAL INFORMATION

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### MARKET RISKS

We are exposed to the following types of market risks:

#### ***Price of Raw Materials***

In the three years ended December 31, 2011 and the six months ended June 30, 2012, we maintained relatively stable gross profit margins despite the changes in the prices of raw materials as the proportion of cost of raw materials out of the total cost of raw materials and equipment procurement is relatively small, having represented approximately 10.3%, 26.2%, 12.1% and 10.6% of the total cost of raw materials and equipment procurement from all signed contracts during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively and the fluctuation of raw material prices did not have any material impact on our cost of raw materials and equipment procurement during the three years ended December 31, 2011 and the six months ended June 30, 2012. This is attributable to a number of factors: (i) the availability of a number of alternate sources of raw materials or equipment has enabled us to minimize the effect on our business of any interruptions in the supply of raw materials or equipment (we had 1,292 domestic and 85 overseas suppliers on our pre-approved list, as well as another 608 potential overseas suppliers as of June 30, 2012); (ii) we have signed framework agreements with suppliers of raw materials to secure volume discounts for some of our raw material purchases; (iii) we purchase a portion of our raw materials through procurement agents, which provides another layer of protection from raw material price volatility given our established relationships and volume purchases with these agents; and (iv) in addition, we monitor changes in the prices of equipment and raw materials and from time to time may enter into fixed price agreements with equipment and raw material suppliers to secure a fixed cost for existing projects. Our early procurement planning, detailed knowledge of the supply channel, ability to optimize component mix and knowledgeable purchase team are important factors that have enabled us to help control purchase costs.

#### ***Interest Rate Risk***

We are exposed to risks resulting from fluctuations in interest rates on our debt. We undertake debt obligations in order to support our general corporate purposes, including capital expenditures and working capital needs. Our loans bear interest rates that are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations and market conditions within and outside the PRC. If the PBOC or foreign banks increase interest rates, our finance costs will increase. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. As we believe we have sufficient working capital, we believe fluctuations in interest rates will only have a limited impact on our results of operations and financial condition. Currently, we do not use any derivatives or other instruments to hedge our exposure to interest rate risks.

#### ***Foreign Currency Risk***

We conduct our business primarily in Renminbi, which is also our functional and reporting currency. From time to time we may need to convert our Renminbi-denominated cash reserves into foreign currencies to purchase imported raw materials or equipment. As such, a portion of our future costs may be denominated in foreign currencies and we may be exposed to risks resulting from fluctuations in the value of the Renminbi against other currencies.



## FINANCIAL INFORMATION

The Renminbi is not a fully convertible currency. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets, earnings and any declared dividends. We cannot give any assurance that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition. We currently use limited derivative instruments to hedge our exposure to foreign currency risks. See “Risk Factors—Risks Relating to the PRC—Our financial condition is dependent on the strength of the Renminbi and could be adversely affected by unfavorable currency conversion and exchange controls”.

### ***Credit Risk***

We are exposed to the credit risks arising from defaults in payments of our clients according to the stipulated terms in our construction contracts. To mitigate this risk, we typically require 10-30% of the contract amount to be paid upon signing of the contract. We did not experience any material losses as a result of our clients’ defaults in their payment obligations during the three years ended December 31, 2011 and the six months ended June 30, 2012.

### ***Inflation***

During the three years ended December 31, 2011, China did not experience significant inflation, and thus inflation has not had a significant effect on our business during the periods covered in the financial statements. According to the National Bureau of Statistics of China, the changes in the consumer price index (“CPI”) in China were (0.7)%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. We do not expect to be materially affected by such changes as our business is not typically affected by changes in the CPI in China.

### **NON-IFRS FINANCIAL MEASURES**

We use adjusted EBITDA to provide additional information about our operating performance.

Adjusted EBITDA for any financial year/period consisted of profit for the financial year/period before tax after adding back finance costs, depreciation and amortization expenses, and excluding other income and gains and share of profits and loss of an associate.

Adjusted EBITDA is not a standard measure of financial performance under IFRS. We believe that this measure may be useful for certain investors to consider our operating performance.

The following table reconciles our profit before income tax with adjusted EBITDA for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<i>(RMB in millions)</i>			<i>(unaudited)</i>	
Profit before tax . . . . .	295.2	818.6	795.2	144.3	(3.5)
Add/(less):					
Other income and gains <sup>(1)</sup> . . . . .	(25.1)	(35.0)	(30.6)	(16.1)	(16.6)
Finance costs <sup>(2)</sup> . . . . .	87.6	133.7	137.9	81.8	53.0
Depreciation and amortization expenses <sup>(3)</sup> . . . . .	25.7	24.6	24.4	11.9	15.9
Share of profits and loss of an associate <sup>(4)</sup> . . . . .	(0.1)	(0.4)	(0.6)	(0.2)	(0.1)
Adjusted EBITDA <sup>(5)</sup> . . . . .	<u>383.3</u>	<u>941.5</u>	<u>926.3</u>	<u>221.7</u>	<u>48.7</u>



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## FINANCIAL INFORMATION

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*Notes:*

- (1) Other income and gains for each financial year/period represent the sum of our other operating income and gains. See Note 6 to the Accountants' Report set out in Appendix I.
- (2) Finance costs for each financial year/period represent the sum of our interest expenses. See Note 7 to the Accountants' Report set out in Appendix I.
- (3) Depreciation and amortization expenses for each financial year/period represent the sum of our depreciation expenses, amortization of prepaid land lease payments and amortization of intangible assets. See Note 8 to the Accountants' Report set out in Appendix I.
- (4) Share of profits and loss of an associate for each financial year/period represent our share of profits and loss of an associate, Henan Chuangsite. See Note 19 to Accountants' Report set out in Appendix I.
- (5) Adjusted EBITDA for any financial year/period is defined as profit for the financial year/period before tax after adding back finance costs, depreciation and amortization expenses, and subtracting other income and gains and share of profits and loss of an associate. Adjusted EBITDA is presented as additional information because we believe that the adjusted EBITDA is a useful measure for certain investors to determine our operating performance. Adjusted EBITDA is not a recognized term under IFRS and should not be considered as alternative to profit before income tax as an indicator of our operating performance or any other measure of performance derived in accordance with IFRS. Because adjusted EBITDA is not an IFRS measure, adjusted EBITDA may not be comparable to similar measures presented by other companies.

## TAXATION

### PRC Taxation

#### *Enterprise income tax*

We are subject to national enterprise income tax and local income tax ("EIT"). PRC EIT are levied based on taxable income, including income from operations as well as other components of earnings, as determined in accordance with PRC GAAP and PRC tax rules and regulations. PRC GAAP (and PRC tax rules and regulations) differ from IFRS in certain aspects, including the recognition of assets and liabilities, which results in temporary differences. Deferred taxation is calculated by applying the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts existing at the balance sheet date for financial reporting purposes. See Note 10 to the Accountants' Report in Appendix I to this prospectus.

On March 16, 2007, the Fifth Meeting of the Tenth National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New EIT Law"). According to the New EIT Law, from January 1, 2008, the income tax for both domestic companies and foreign invested enterprises will be levied at the uniform rate of 25%, except for certain income tax deductions prescribed by the New EIT Law. However, the New EIT Law includes some transitional preferential measures for enterprises which were established before the promulgation of the New EIT Law and which currently enjoy lower tax rates, regular tax reductions or exemption treatment under then-current tax laws and administrative regulations. According to these transitional measures, such enterprises, pursuant to the regulations of the State Council, will continue to enjoy a gradually increasing transitional income tax rate for five years after the New EIT Law becomes effective. Such enterprises will also continue to enjoy their existing tax reductions, exemption treatment and other remaining tax incentives in accordance with the requirements and for the periods specified by then-current income tax laws and administrative regulations.

The Notice on the Implementation of the Enterprise Income Tax Preferential Policy ("Circular 39"). Based on Circular 39, certain specifically listed categories of enterprises that enjoyed a preferential tax rate of 15% and 24% are eligible for a graduated rate increase to 25% over the five-year period beginning from January 1, 2008. Specifically, the applicable

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## FINANCIAL INFORMATION

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rates under such an arrangement for such enterprises that enjoyed a preferential tax rate of 15% will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Wison Engineering was incorporated as a domestic limited liability company on November 14, 1997 but was converted into a Sino-foreign co-operative joint venture, a type of foreign invested enterprise, on September 11, 2003. As a foreign invested enterprise operating in the construction industry, Wison Engineering qualifies as a “manufacturing enterprise” because it is a construction enterprise that is principally engaged in overall contracting, project management, project design and work related to petrochemicals projects for which the Ministry of Construction issued the certificate of qualification for construction enterprise in 2005, and because enterprises with foreign investment engaged in the construction industry are included in the “Enterprises with foreign investment of a production nature” mentioned in the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises. Wison Engineering is also located in the Shanghai Pudong New Area. As a result, it is entitled to a preferential EIT rate of 15%. Wison Engineering is entitled to a two-year exemption from EIT for its first two profitable years of operation, which were 2004 and 2005. Wison Engineering was thereafter entitled to a 50% relief from EIT for three years which resulted in an effective EIT rate of 7.5% for 2006 and 2007 and 9% for 2008. Further, Wison Engineering qualifies as a “High and New Technology Enterprise” because it obtained a “high-technology enterprise” certificate in October 2008 for a three-year period from 2008 to 2010, and again in October 2011 for a three-year period from 2011 to 2013, from the competent authorities in accordance with the relevant regulations, including the Administrative Measures for Determination of High Technology Enterprises and because an enterprise engaged in the provision of services may qualify as a “high-technology enterprise” if it has complied with relevant provisions of the Administrative Measures for Determination of High Technology Enterprises and obtained the “high-technology enterprise” certificate accordingly. Wison Engineering was entitled to a corporate income tax (“CIT”) rate of 15% from January 1, 2011 to December 31, 2013. Thereafter, the applicable EIT rate for Wison Engineering is 15%, so long as Wison Engineering continues to qualify as a “High and New Technology Enterprise”.

Wison Yangzhou, a wholly foreign-owned enterprise, also a type of foreign invested enterprise, qualified as a “production enterprise” and was entitled to a two-year exemption from the EIT for the first two profitable years of operation, which were 2006 and 2007, and a further 50% relief from EIT for three years (resulting in an effective EIT rate of 12.5%) for 2008, 2009 and 2010. Thereafter, the applicable EIT rate for Wison Yangzhou is 25%.

### ***Other PRC taxes***

We also pay other taxes in connection with certain business activities. For example, we are subject to business tax at the rate of 3% or 5% of taxable revenue in connection with services provided by Wison Engineering, depending on the type of service provided. We are subject to value-added tax of 17% in conjunction with sales of products and value-added tax of 6% in conjunction with certain services provided by Wison Engineering starting from 2012. In addition, we pay property tax, where applicable, at a rate of 1.2% per year based on 70% of the carrying value of our owned properties in Yangzhou, Beijing and Henan.

## FINANCIAL INFORMATION

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that no circumstances have occurred that, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2012 and based on our audited consolidated net tangible assets as of June 30, 2012, as shown in the Accountants' Report, the text of which is set out in Appendix I and is adjusted as detailed below:

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and because of its nature, it may not give a time and fair picture of the financial position of the Group after the completion of the Global Offering or on any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2012 <sup>(1)</sup>	Forecast net proceeds from Global Offer Shares <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets <sup>(4)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(3),(4)</sup>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>
Based on an Offer price of HK\$2.79 per Share . . . . .	364,016	966,189	1,330,205	0.33
Based on an Offer price of HK\$3.53 per Share . . . . .	364,016	1,241,440	1,605,456	0.40

*Notes:*

- (1) Our audited consolidated net tangible assets as of June 30, 2012 is extracted from the Accountants' Report set out in Appendix I which is equal to the audited consolidated net assets attributable to owners of our Company of RMB392,928,000 as of June 30, 2012 less other intangible assets of RMB13,160,000 and goodwill of RMB15,752,000 as of the same date.
- (2) The forecast net proceeds from the Global Offer are based on an indicative Offer Price of HK\$2.79 to HK\$3.53 per share, being the low end and high end of the Stated Offer Price range, after deduction of the underwriting fees and related expenses payable by our Company and taking no account of any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or Shares which may be allotted and issued or purchased by our Company pursuant to the general mandate for the allotment and issue or purchase of Shares referred to in "Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012". The estimated net proceeds are converted into RMB at the rate of HK\$1=RMB0.8115.
- (3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustment referred to in this section above and on the basis that 4,000,000,000 Shares are in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and the Pre-IPO Share Option).
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2012.

### DIVIDEND POLICY

During the three years ended December 31, 2011, we declared a dividend of RMB710.0 million on September 28, 2011 and paid an accumulated amount of RMB894.6 million in respect of all dividends (including a prior declared but unpaid amount of RMB184.6 million) out of the accumulated distributable profits (of the companies comprising our Group) throughout 2011, with final payment on October 31, 2011. We declared a dividend of

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## FINANCIAL INFORMATION

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RMB256.6 million on June 11, 2012 and paid an amount of RMB195.2 million in respect of all dividends out of the accumulated distributable profits during the six months ended June 30, 2012.

The total amount of dividends paid by Wison Engineering to Wison Energy (HK) for the three years ended December 31, 2011 and the six months ended June 30, 2012 was RMB1,163.5 million. The total amount of dividends paid by Wison Engineering to Jiangsu Xinhua as the minority shareholder of our Group for the three years ended December 31, 2011 and the six months ended June 30, 2012 was RMB170.6 million. As would be expected in light of the absence of any commercial relationship between Mr. Hua, Mr. Hua Bangshan or any of their respective associates with Jiangsu Xinhua, insofar as it is known to our Directors and based on information available to them, none of Mr. Hua, Mr. Hua Bangshan nor any of their respective associates has received any form of benefits from the dividend distributed by Wison Engineering to Jiangsu Xinhua.

We will evaluate our distribution policy and distributions made (by way of dividend or otherwise) in any particular year in light of our financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The determination to make distributions will be made at the discretion of the Board and will be based upon our earnings, cash flow, financial conditions, capital and other reserve requirements and any other conditions which the Board deems relevant. The payment of distributions may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our historical payment of dividends may not be indicative of future dividends paid by our Group. There can be no assurance that we will be able to declare or distribute any dividends set out in any plan of our Board or at all. See “Risk Factors—Risks Relating to Our Business—Our ability to pay dividends will depend on our receipt of dividends from our subsidiaries”.

### **DISTRIBUTABLE RESERVES**

As of June 30, 2012, the aggregate amount of distributable reserves of our Company was RMB272.3 million.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that except as otherwise disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2012 and no event has occurred since June 30, 2012 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **FUTURE PLANS AND PROSPECTS**

Our primary focus is to selectively diversify our geographic focus and client base, while at the same time continuing to strengthen our position in the PRC as a leading private sector EPC service provider to the petrochemicals industry and to expand our oil refineries and coal-to-chemicals EPC business. To achieve our goals, we intend to continue to improve our products, expand our business segments and services and pursue the following strategies:

- Continue to focus on research and development activities to strengthen our design and engineering capability;
- Consolidate and further strengthen our EPC leadership position in China's petrochemicals industry;
- Enhance our presence in the oil refining and coal-to-chemicals industries;
- Actively develop our presence in the international markets; and
- Continue to attract and retain top talent in the industry.

For detailed discussion of our future plans and strategies, see “Business—Our Business Strategies”.

### **REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS**

#### **Reasons for the Global Offering**

We believe that the Listing of our Shares on the Main Board will enhance our corporate profile and the proceeds from the Global Offering will enable us to further expand the scale and scope of our operations and our research and development capability in order to take advantage of the potential growth in demand for our solutions and strengthen our competitive edge and market position.

#### **Use of proceeds**

Assuming an Offer Price of HK\$3.16 per Share (being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Share), the net proceeds of the Global Offering attributable to us, after deduction of the underwriting fees, commissions and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$1,360.2 million (assuming the Over-allotment Option is not exercised). At present, we intend to apply such net proceeds as follows:

- Approximately HK\$797.3 million, or 58.6%, of the total estimated net proceeds, for the construction and establishment of a national research and development center in Shanghai and an engineering research and development center in Beijing.

## FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth a detailed breakdown on how net proceeds are expected to be applied for the construction of a national research and development center in Shanghai and an engineering research and development center in Beijing, respectively:

	National Research and Development Center in Shanghai	Engineering, Research and Development Center in Beijing
	<i>(HK\$ in million)</i>	
Costs of Engineering Facilities .....	365.0	274.0
Land Acquisition Costs .....	41.1	58.8
Construction Costs .....	16.4	8.9
Design Fees .....	20.4	8.8
Construction Supervision Fees .....	2.1	1.2
Survey Fees .....	0.5	0.1
<b>Total</b> .....	<b>445.5</b>	<b>351.8</b>

For more information about our planned research and development center in Shanghai, see “Business—Research and Development—Research and Development Centers”;

- Approximately HK\$345.5 million, or 25.4%, of the total estimated net proceeds, for the research and development of proprietary technologies including syngas-to-ethanol processes;
- Approximately HK\$133.6 million, or 9.8%, of the total estimated net proceeds, for the expansion of our engineering capability in selected cities in the PRC, see “Business—Research and Development—Design and Engineering Centers” for additional disclosure on our planned expansion of engineering capability; and
- Approximately HK\$83.8 million, or 6.2%, of the total estimated net proceeds, for our working capital and general corporate purposes, including the anticipated increases in our working capital needs to support our international expansion.

In the event the Offer Price is set below the indicative price of HK\$3.16 per Share, we intend to reduce the net proceeds to be used for the engineering research and development center in Beijing.

In the event the Offer Price is set above the indicative price of HK\$3.16 per Share, we intend to use the additional funds to fund the expansion in our engineering capability.

In the event that the Offer Price is finally determined at the high-end of the indicative Offer Price range, the estimated net proceeds we will receive from the Global Offering will be increased by approximately HK\$169.6 million (assuming the Over-allotment Option is not exercised), or approximately HK\$473.0 million (assuming the Over-allotment Option is exercised in full). In the event that the Offer Price is finally determined at the low-end of the indicative Offer Price range, the estimated net proceeds we will receive from the Global Offering will be decreased by approximately HK\$169.6 million (assuming the Over-allotment Option is not exercised) or increased by approximately HK\$70.2 million (assuming the Over-allotment Option is exercised in full).

We intend to use the additional net proceeds to fund the research and development of proprietary technologies as well as for working capital and general corporate purposes and



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## **FUTURE PLANS AND USE OF PROCEEDS**

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the net proceeds to be allocated for general corporate purposes will not exceed 10% of the total net proceeds.

To the extent that the net proceeds of the Global Offering received by us are not immediately applied for the above purposes, it is our present intention to deposit the net proceeds on short-term deposits with financial institutions or licensed banks in Hong Kong or the PRC.

We estimate that our Selling Shareholder will receive net proceeds of approximately HK\$362.1 million (assuming an Offer Price of HK\$3.16 per Share, being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Share) after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in relation to the Global Offering.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

Citigroup Global Markets Asia Limited, Deutsche Bank AG, Hong Kong Branch, BOCOM International Securities Limited, UBS AG, Hong Kong Branch, CITIC Securities Corporate Finance (HK) Limited, Head & Shoulders Securities Limited, Yue Xiu Securities Company Limited and Chief Securities Limited.

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### ***Public Offer Underwriting Agreement***

The Public Offer Underwriting Agreement was entered into on December 12, 2012. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions set out in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### ***Grounds for Termination***

The Public Offer Underwriting Agreement shall terminate without further act or deed if any of the conditions precedent specified in the Public Offer Underwriting Agreement have not been satisfied when and as required (unless otherwise waived or modified by the Joint Lead Managers).

The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall be entitled by notice to our Company to terminate the Public Offer Underwriting Agreement jointly with immediate effect if at any time prior to 8.00 a.m. on the Listing Date, there shall have developed, occurred, happened or come into effect:

- (a) any change, or any development involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, profits or losses, results of operations, position or condition, financial or otherwise, or performance of our Company and its Subsidiaries, taken as a whole, the effect of which change, development, event or circumstance is, individually or in the aggregate, in the judgment of the Joint Lead Managers, so material and adverse as to make it or likely to make it impracticable or inadvisable or inexpedient to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or

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## UNDERWRITING

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- (b) any of the following:
- (i) any moratorium, suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, NYSE MKT LLC, the NASDAQ Global Market or the London Stock Exchange;
  - (ii) a general moratorium on commercial banking activities declared by relevant authorities in any relevant jurisdiction or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any relevant jurisdiction;
  - (iii) any change, or any development involving a prospective change, in or affecting any taxation, exchange controls, currency exchange rates or foreign exchange regulations (including without limitation a material devaluation of the Hong Kong dollar, the Euro, the RMB, the United States dollar or the British pound sterling against any foreign currencies (other than the RMB) and any disruptions in monetary, trading or securities settlement or clearance services, procedures or matters), or the implementation of any exchange control in any relevant jurisdiction (except for the PRC);
  - (iv) any new laws or any change, or any development involving a prospective change, in or affecting existing laws or the interpretation or application of existing laws by any court or other competent authority in any relevant jurisdiction;
  - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any relevant jurisdiction;
  - (vi) any authority or political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any director of our Company;
  - (vii) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Over-allotment Shares) pursuant to the terms of the Global Offering;
  - (viii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law;
  - (ix) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
  - (x) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, civil commotion, act or declaration of war, outbreak or escalation of hostilities

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## UNDERWRITING

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(whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting any relevant jurisdiction;

- (xi) any change or development involving a prospective change in any financial, political, economic, legal, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets) in or affecting any relevant jurisdiction;
- (xii) the chairman or chief financial officer of our Company vacating his office;
- (xiii) any litigation or claim being announced, threatened or instigated against any Group Company or any director of our Company or the Controlling Shareholders (as applicable);
- (xiv) materialization, or prospective materialization, of, any of the risks set out in the section headed "Risk Factors" in this prospectus;
- (xv) the chairman of our Company being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xvi) any order or petition for the winding up of any Group Company or any composition or arrangement being made by any Group Company with its creditors or any scheme of arrangement being entered into by any Group Company or any resolution for the winding up of any Group Company being entered into by any Group Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) (i) has resulted in or will or may result in a material adverse change; or (ii) has or will or may have a material adverse effect on the success of the Global Offering or the level of applications under the Public Offer or the level of interest under the Placing; or (iii) makes or will or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (c) in the opinion of the Joint Lead Managers it has come to their notice:
  - (i) that any statement contained in any of this prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue,

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- incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) is not, in all material respects, fair, honest and based on reasonable assumptions;
- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a material misstatement in, or constitute a material omission from, any of the Public Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto);
  - (iii) any material breach of any of the obligations imposed upon our Company, Wison Investment or Wison Holding under the Public Offer Underwriting Agreement or the International Placing Agreement; or
  - (iv) any material event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Public Offer Underwriting Agreement;
  - (v) any breach of any of the representations, warranties and undertakings of each of our Company, Wison Investment or Wison Holding as set out in the Public Offer Underwriting Agreement (whenever given or repeated) which will have a material adverse effect, or any matter or event showing any of such representations, warranties and undertakings to be untrue, misleading or inaccurate in any respect;
  - (vi) the grant by the Listing Committee of the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
  - (vii) that any of the experts who has provided any reports, letters, opinions or advice which are contained in this prospectus has, prior to issue of this prospectus, withdrawn its consent to the issue of this prospectus with the inclusion of such reports, letters, opinions or advice or any reference to its name included in the form and context in which it appears; or
  - (viii) that our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

### **Lock-up**

#### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

##### ***(A) Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity

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## UNDERWRITING

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securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including any exercise of the Over-allotment Option) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

*(B) Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of Wison Holding, Wison Investment and Mr. Hua has undertaken to us and to the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding (direct or indirect) is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “Parent Shares”); or
- (b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of us.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of Wison Holding, Wison Investment and Mr. Hua has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, it will:

- (a) except as disclosed in the “Controlling Shareholders and Substantial Shareholders” section of this prospectus, when it pledges or charges any of our Shares beneficially owned by it, in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) if it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by Wison Holding or Wison Investment or Mr. Hua and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.



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## UNDERWRITING

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### ***Undertakings Pursuant to the Public Offer Underwriting Agreement***

#### *(A) Undertakings by Our Company*

We have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, and the Public Offer Underwriters, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option) and of Shares pursuant to the Capitalization Issue, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”) not to, and to procure that each of the Group Companies shall not, and each of Wison Holding and the Selling Shareholder has agreed to procure our Company not to, without the prior written consent of the Joint Lead Managers, and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or any other securities of such Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company or any shares or any other securities of such Group Company, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company or any shares or other securities of such Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) and (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b), or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or such other securities of such Group Company, as applicable, or in cash or otherwise (whether or not the allotment or issue of Shares or other securities of our Company or shares or other securities of such Group Company, as applicable, will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-Month Period**”), our Company enters into

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## UNDERWRITING

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any of the transactions specified in paragraph (a), (b), or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

*(B) Undertakings by the Selling Shareholder and Wison Holding*

Each of the Selling Shareholder and Wison Holding has jointly and severally, undertaken to our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and each of them that, without the prior written consent of the Joint Lead Managers (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not (save as pursuant to the Global Offering, including pursuant to the Stock Borrowing Agreement), during the First Six-Month Period:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company, and for the avoidance of doubt, in the case of Wison Holding, any interest in the shares or securities of the Selling Shareholder) whether currently held or hereinafter acquired; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company); or
  - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether any of the transactions is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the allotment or issue of Shares or other securities of our Company will be completed within the First Six-Month Period);

- (b) it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any

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## UNDERWRITING

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option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and

- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii), or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

### **Placing**

#### ***International Placing Agreement***

In connection with the Placing, it is expected that we will enter into the International Placing Agreement with the Selling Shareholder, Wison Holding, the Joint Global Coordinators, the Joint Bookrunners and the Placing Underwriters. Under the International Placing Agreement, the Placing Underwriters would, subject to certain conditions set forth therein, severally and not jointly agree to purchase the Placing Shares being offered pursuant to the Placing, or procure purchasers for such Placing Shares.

Our Company will grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters at any time from the date of the International Placing Agreement until January 17, 2013, being the 30th day from the last day for lodging applications under the Public Offer, to require our Company to issue up to an aggregate of 90,000,000 additional Shares, collectively representing 15% of the initial Offer Shares, at the Offer Price, to, among other things, cover over-allocations in the Placing, if any.

### **Indemnity**

We and the Selling Shareholder have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreements, breach of the Underwriting Agreements by us and any liabilities, including liabilities under the U.S. Securities Act.

### **Commission and Expenses**

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive a gross underwriting commission of 2.75% of the aggregate Offer Price payable for the Offer Shares.

The Joint Bookrunners may also receive a discretionary incentive fee of up to 0.75% of the aggregate Offer Price payable for the Offer Shares, payable at the discretion of the Company.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$3.16, being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Offer Share, the fees and commissions in connection with the Public Offer and the Placing,

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## UNDERWRITING

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together with the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK\$156.6 million in aggregate. Such commissions, fees and expenses are payable and borne by us.

### **Underwriters' Interests in the Company**

Certain of the Joint Sponsors, other Underwriters or their respective affiliates have in the past provided, and may in the future provide, investment and commercial banking and other services to our Group and its affiliates, as well as to our Company's Shareholders and their respective affiliates, in the ordinary course of business for which they have received or may receive, as the case may be, customary compensation.

Save as disclosed above, none of the Underwriters is interested legally or beneficially in any shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group in the Global Offering.

### **Sponsors' Independence**

Each of Citi and Deutsche Bank satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCOM Asia does not satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules in view of the reasons as set out below:

1. On July 5, 2011, Wison Investment entered into a Facility Agreement with certain lenders, including BOCOM, the holding company of BOCOM Asia. Pursuant to this Facility Agreement, the lenders provided, among other things, a US\$100.0 million loan facility to Wison Investment, at a fixed rate of 9.0% per annum, of which US\$64 million was funded by BOCOM;
2. On July 5, 2011, BOCOM and Gold Prosperity, a wholly owned subsidiary of BOCOM International China Fund L.P., whose general partner is BOCOM International China Fund G.P., which is a wholly owned subsidiary of BOCOM, our Company and Wison Holding (as the issuer), among others, entered into a Subscription Agreement in relation to US\$50 million zero coupon secured exchangeable bonds. On September 20, 2012, the Bonds held by BOCOM and Gold Prosperity were exchanged into our Shares pursuant to the terms and conditions of the Bonds and became our Shareholders, holding approximately 2.7% and 0.5%, respectively, of our Company's issued share capital immediately before completion of the Global Offering. It is expected that BOCOM and Gold Prosperity will hold approximately 2.38% and 0.44%, respectively, of the issued share capital of our Company (assuming the Over-allotment Option is not exercised) upon completion of the Global Offering; and
3. As of October 31, 2012, our Company and its subsidiaries had, in aggregate, approximately RMB100.0 million of outstanding bank borrowings from Bank of Communications Co., Ltd., the parent company of BOCOM.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. The Global Offering comprises:

- (i) the Public Offer of 60,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong, as described below in “—The Public Offer”; and
- (ii) the Placing of an aggregate of 540,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act, to be offered by us.

Investors may apply for Shares under the Public Offer or apply for or indicate an interest in Shares under the Placing, but may not apply in both the Public Offer and the Placing.

References in this prospectus to “applications”, “Application Forms”, “application monies” or the “procedure for application” relate solely to the Public Offer.

### THE PUBLIC OFFER

#### Number of Offer Shares Initially Offered

Our Company is initially offering 60,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the Placing, and (ii) the Public Offer, the Public Offer Shares will represent approximately 1.50% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Public Offer is open to the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in “—Conditions of the Public Offer” below.

#### Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in such a ballot may not receive any Public Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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The total number of Offer Shares available under the Public Offer (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 30,000,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Offer Shares in pool B will consist of 30,000,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 30,000,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, will be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more than the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 180,000,000 Offer Shares (in the case of (i)), 240,000,000 Offer Shares (in the case of (ii)) and 300,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or



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## STRUCTURE OF THE GLOBAL OFFERING

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confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$3.53 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the maximum price of HK\$3.53 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Public Offer Shares” below.

### THE PLACING

#### Number of Offer Shares initially offered

The Placing will consist of an initial offering of 540,000,000 Shares representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the Placing, and (ii) the Public Offer, the Placing Shares will represent approximately 13.50% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

#### Allocation

The Placing will include selective marketing of Offer Shares to QIBs in the United States as defined in Rule 144A, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to our benefit and that of our Shareholders as a whole.

The Joint Lead Managers (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any allotment of Offer Shares under the Public Offer.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation

The total number of Placing Shares to be sold and issued pursuant to the Placing may change as a result of the clawback arrangement described in “—The Public Offer—Reallocation” above, exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Public Offer.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the Placing Underwriters, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters.

Pursuant to the Over-allotment Option, the Placing Underwriters have the right, exercisable by the Joint Bookrunners (on behalf of the Placing Underwriters) at any time from the Listing Date until January 17, 2013, being the 30th day from the last day for lodging applications under the Public Offer, to require our Company to issue and allot up to an aggregate of 90,000,000 Shares representing approximately 15% of the initial Offer Shares, at the same price per Share under the Placing, to cover, among other things, over-allocations in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Placing Shares will represent approximately 2.20% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citigroup Global Markets Asia Limited, as Stabilizing Manager, its affiliates or any persons acting for any of them, on behalf of the Underwriters, may, to the extent permitted by applicable law of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail, for a limited period after the Listing Date. Any market purchases of Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for any of them, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any persons acting for them, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be issued upon exercise of

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## STRUCTURE OF THE GLOBAL OFFERING

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the Over-allotment Option, being an aggregate of 90,000,000 additional Shares, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any persons acting for them may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any persons acting for any of them will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any persons acting for any of them, and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on January 17, 2013, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

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## STRUCTURE OF THE GLOBAL OFFERING

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### OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any persons acting for any of them may cover such over-allocation by (among other methods) using Shares purchased by the Stabilizing Manager, its affiliates or any persons acting for any of them in the secondary market or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including, in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon full exercise of the Over-allotment Option, being 90,000,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for any of them, may choose to borrow up to 90,000,000 Shares (equivalent to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option) from Wison Investment pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager or any person acting for them and Wison Investment on or about December 19, 2012 or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement is entered into with Wison Investment, it will only be effected by the Stabilizing Manager, or any person acting for them, for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to any exercise of the Over-allotment Option in connection with the Placing, are complied with. The same number of Shares so borrowed must be returned to Wison Investment or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Wison Investment by the Stabilizing Manager or any person acting for them in relation to such stock borrowing arrangement.

### PRICING AND ALLOCATION

The Placing Underwriters will be soliciting from prospective professional and institutional investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the Placing that they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

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## STRUCTURE OF THE GLOBAL OFFERING

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Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around December 19, 2012 and in any event on or before December 21, 2012, by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (on its own behalf and on behalf of the Selling Shareholder) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Public Offer will be identical to the Offer Price per Offer Share under the Placing based on the Hong Kong dollar price per Offer Share under the Placing, as determined by the Joint Bookrunners (on behalf of the Underwriters) and our Company. The Offer Price per Offer Share under the Public Offer will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the Placing. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the Placing on Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK\$3.53 per Offer Share and is expected to be not less than HK\$2.79 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company (on its own behalf and on behalf of the Selling Shareholder), reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon issue of such a notice, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company (on its own behalf and on behalf of the Selling Shareholder) and the Joint Bookrunners (on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised) are estimated to be approximately HK\$1,360.2 million, assuming an Offer Price of HK\$3.16 per Offer Share, being the approximate mid-point of the proposed offer price range of HK\$2.79 to HK\$3.53.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Public Offer are expected to be announced on Thursday, December 27, 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

### **PUBLIC OFFER UNDERWRITING AGREEMENT AND INTERNATIONAL PLACING AGREEMENT**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Placing Agreement relating to the Placing on the Price Determination Date.

The Public Offer Underwriting Agreement and the International Placing Agreement are summarized in “Underwriting”.

### **CONDITIONS OF THE PUBLIC OFFER**

Acceptance of all applications for Offer Shares pursuant to the Public Offer will be conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares in issue (including the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment) on the Main Board;
- (ii) the execution and delivery of the Placing Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the



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## STRUCTURE OF THE GLOBAL OFFERING

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Placing Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, January 11, 2013.

If, for any reason, the Offer Price is not agreed between our Company (on its own behalf and on behalf of the Selling Shareholder) and the Joint Bookrunners (on behalf of the Underwriters) on or before Friday, December 21, 2012, the Global Offering will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Public Offer Shares—Publication of results, dispatch/collection of Share certificates and refunds of application monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. in Hong Kong on Friday, December 28, 2012, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination” has not been exercised.

### **DEALING**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 28, 2012, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 28, 2012.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1 Who can apply for the Public Offer Shares

You can apply for the Public Offer Shares if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the White Form eIPO Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk), referred to herein as the “White Form eIPO” service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid email address and a contact telephone number.

You may only apply by means of the White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, our Company and the Joint Lead Managers (or their respective agents or nominees), as agent for us, may accept it at their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Lead Managers or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents and nominees, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing legal and beneficial owners of Shares, our Directors or chief executive officer, the directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 2 Channels of applying for the Public Offer Shares

There are four channels to make an application for the Public Offer Shares:

- you may apply for the Public Offer Shares by using a **white** Application Form. Use a **white** Application Form if you want the Shares issued in your own name;
- instead of using a **white** Application Form, you may apply for the Public Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the White Form eIPO Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk). Use **White Form eIPO** if you want the Shares issued in your own name;
- you may apply for the Public Offer Shares by using a **yellow** Application Form. Use a **yellow** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- instead of using a **yellow** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf.

### 3 Where to collect the application forms

You can collect a **white** Application Form and a Prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. on Thursday, December 13, 2012 and Friday, December 14, 2012, between 9:00 a.m. to 1:00 p.m. on Saturday, December 15, 2012, between 9:00 a.m. to 5:00 p.m. on Monday, December 17, 2012 and between 9:00 a.m. to 12:00 noon on Tuesday, December 18, 2012 from:

any of the following addresses of the Public Offer Underwriters:

**Citigroup Global Markets Asia Limited**

50th Floor, Citibank Tower  
Citibank Plaza, 3 Garden Road  
Central  
Hong Kong

**Deutsche Bank AG, Hong Kong Branch**

Level 52, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**BOCOM International Securities Limited**

9/F, Man Yee Building  
No.68, Des Voeux Road Central  
Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### **UBS AG, Hong Kong Branch**

52/F Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### **CITIC Securities Corporate Finance (HK) Limited**

26/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Bank of China Tower Branch	3/F, 1 Garden Road
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
<b>Kowloon:</b>	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong
<b>New Territories:</b>	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

Prospectuses and Application Forms will be available for collection at the above places during the following times:

**Thursday, December 13, 2012—9:00 a.m. – 5:00 p.m.**

**Friday, December 14, 2012—9:00 a.m. – 5:00 p.m.**

**Saturday, December 15, 2012—9:00 a.m. – 1:00 p.m.**

**Monday, December 17, 2012—9:00 a.m. – 5:00 p.m.**

**Tuesday, December 18, 2012—9:00 a.m. – 12:00 noon**

You can collect a yellow Application Form and a Prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. on Thursday, December 13, 2012 and Friday, December 14, 2012, between 9:00 a.m. to 1:00 p.m. on Saturday, December 15, 2012, between 9:00 a.m. to 5:00 p.m. on Monday, December 17, 2012 and between 9:00 a.m. to 12:00 noon on Tuesday, December 18, 2012 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 4 How to apply using a white or yellow application form

- (a) Obtain an Application Form as described in “—Where to collect the application forms” above.
- (b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post, together with the accompanying check or banker’s cashier order, to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one check or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the check or banker’s cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in “—When may applications be made” below.

In order for an application made on yellow Application Form to be valid:

- (i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) If the application is made by an individual CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant’s name and Hong Kong identity card number; and
  - the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) If the application is made by a joint individual CCASS Investor Participant:
  - the Application Form must contain all joint CCASS Investor Participants’ names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
  - the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) If the application is made by a corporate CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant’s company name and Hong Kong business registration number; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of the participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

### 5 How to apply through white form eIPO service

- (a) If you are an individual and meet the criteria set out in “—Who can apply for the Public Offer Shares” above, you may apply through White Form eIPO by submitting an application to the White Form eIPO Service Provider through the designated website of the White Form eIPO Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk). If you apply through White Form eIPO, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the White Form eIPO service are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the White Form eIPO service. Such terms and conditions are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You will be required to read, understand and agree to such terms and conditions in full, prior to making any application.
- (d) By submitting an application to the White Form eIPO Service Provider through the White Form eIPO service, you are deemed to have authorized the White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (e) You may submit an application through the White Form eIPO service in respect of a minimum of 1,000 Public Offer Shares. Each electronic application instruction in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).
- (f) You should give electronic application instructions through White Form eIPO at the times set out in “— When may applications be made—White Form eIPO” below.
- (g) You should make payment for your application made by White Form eIPO service in accordance with the methods and instructions set out on the designated website, [www.eipo.com.hk](http://www.eipo.com.hk). If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, December 18, 2012, or such later time as described in “—When may applications be made—Effects of Bad Weather Conditions on the Opening of the Application Lists” below, the White Form eIPO Service Provider will reject your application and your



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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application monies will be returned to you in the manner described on the designated website, [www.eipo.com.hk](http://www.eipo.com.hk).

- (h) Warning: The application for Public Offer Shares through the White Form eIPO service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the White Form eIPO Service Provider take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Public Offer Shares.

### Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. The Hong Kong Share Registrar, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “WISON ENGINEERING SERVICES CO. LTD.” White Form eIPO application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of DongJiang—Hong Kong Woodland” project initiated by Friends of the Earth (HK).

**Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your electronic application instructions.**

In the event that you have problems connecting to the designated website for the White Form eIPO service, you should submit a white Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a white Application Form. See “—How many applications may be made” below.

## 6 Applying by giving electronic application instructions to HKSCC

### (a) General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
2/F Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

**(b) Minimum Subscription Amount and Permitted Numbers**

You may give electronic application instructions in respect of a minimum of 1,000 Public Offer Shares. Each electronic application instruction in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms.

**(c) Warning**

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either:

- (i) submit a white or yellow Application Form; or
- (ii) go to HKSCC's Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, December 18, 2012, or such later time as described in “—When may applications be made—

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

### 7 When may applications be made

#### (a) Applications on White or Yellow Application Forms

Your completed white or yellow Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in “—Where to collect the application forms” above at the following times:

**Thursday, December 13, 2012—9:00 a.m. – 5:00 p.m.**

**Friday, December 14, 2012—9:00 a.m. – 5:00 p.m.**

**Saturday, December 15, 2012—9:00 a.m. – 1:00 p.m.**

**Monday, December 17, 2012—9:00 a.m. – 5:00 p.m.**

**Tuesday, December 18, 2012—9:00 a.m. – 12:00 noon**

Completed white or yellow Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, December 18, 2012, or, if the application lists are not open on that day, then by the time and date stated in “—Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

#### (b) White Form eIPO

You may submit your application to the White Form eIPO Service Provider through the designated website, [www.eipo.com.hk](http://www.eipo.com.hk), from 9:00 a.m. on Thursday, December 13, 2012 until 11:30 a.m. on Tuesday, December 18, 2012 or such later time as described in “—Effects of Bad Weather Conditions on the Opening of the Applications Lists” below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 18, 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “—Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

**You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website, [www.eipo.com.hk](http://www.eipo.com.hk), after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### (c) Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants should input electronic application instructions at the following times on the following dates:

**Thursday, December 13, 2012—8:00 a.m. – 8:30 p.m.<sup>(1)</sup>**

**Friday, December 14, 2012—8:00 a.m. – 8:30 p.m.<sup>(1)</sup>**

**Saturday, December 15, 2012—8:00 a.m. – 1:00 p.m.<sup>(1)</sup>**

**Monday, December 17, 2012—8:00 a.m. – 8:30 p.m.<sup>(1)</sup>**

**Tuesday, December 18, 2012—8:00 a.m.<sup>(1)</sup> – 12:00 noon**

*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, December 13, 2012 until 12:00 noon on Tuesday, December 18, 2012.

The latest time for inputting electronic application instructions will be 12:00 noon on Tuesday, December 18, 2012, the last application day, or, if the application lists are not open on that day, by the time and date stated in “—Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

### (d) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, December 18, 2012, except as provided in “—Effects of Bad Weather Conditions on the Opening of the Application Lists” below.

Applicants should note that checks or banker’s cashier orders will not be presented for payment before the closing of the application lists, but may be presented at any time thereafter.

### (e) Effects of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 18, 2012. Instead, the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, “Business Day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

## 8 How many applications may be made

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Public Offer Shares if, and only if, you are a nominee, in which case you may make an application as a nominee by (i) giving

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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electronic application instructions to HKSCC (if you are a CCASS Participant), and (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

### **Otherwise, multiple applications are not allowed.**

If you apply by means of White Form eIPO, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the White Form eIPO service by giving electronic application instructions to the White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and completing payment in respect of such electronic application instructions, or of submitting one application through the White Form eIPO service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications, or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

For further information, see “Further Terms and Conditions of the Public Offer—Multiple applications”.

## **9 How much are the Public Offer Shares**

The maximum offer price is HK\$3.53 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$3,565.59. The Application

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Forms have tables showing the exact amount payable for numbers of Shares up to 30,000,000 Shares.

If the Offer Price as finally determined is less than HK\$3.53 per Share, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out in “—Publication of results, dispatch/collection of Share certificates and refunds of application monies” below.

If your application is successful, brokerage is paid to participants of the Stock Exchange and the SFC transaction levy and the Stock Exchange trading fees are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

### **10 Publication of results, dispatch/collection of Share certificates and refunds of application monies**

We expect to announce the level of applications in the Public Offer, the level of indication of interest in the Placing and the basis of allotment of the Public Offer on Thursday, December 27, 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- results of allocations for the Public Offer can be found in our announcement to be posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on Thursday, December 27, 2012;
- results of allocations for the Public Offer will be available from our designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) on a 24-hour basis from 8:00 a.m. on Thursday, December 27, 2012 to 12:00 midnight on Wednesday, January 2, 2013. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 27, 2012 to Sunday, December 30, 2012; and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Thursday, December 27, 2012 to Saturday, December 29, 2012 at all the receiving bank branches at the addresses set out in “—Where to collect the application forms” above.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Refund checks for surplus application monies (if any) under white or yellow Application Forms and Share certificates for successful applicants under white Application Forms and White Form eIPO will be posted and/or available for collection (as the case may be) on Thursday, December 27, 2012 from Computershare Hong Kong Investor Services Limited.

**Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 28, 2012, provided that the Public Offer has become unconditional in all respects and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination” has not been exercised.**

### **Commencement of dealings in the Shares**

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 28, 2012. The Shares will be traded in board lots of 1,000 Shares each.

### **Shares will be eligible for CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

For further information on arrangements for the dispatch/collection of Share certificates and refunds of application monies, please refer to “Further Terms and Conditions of the Public Offer—If your application for Public Offer Shares is successful (in whole or in part)” and “Further Terms and Conditions of the Public Offer—Refund of application monies”.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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### 1 General

- (a) If you apply for Public Offer Shares in the Public Offer, you will be agreeing with us, the Joint Sponsors and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) as set out in this prospectus.
- (b) If you give electronic application instructions to HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) If you give electronic application instructions to the White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you will have authorized the White Form eIPO Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the White Form eIPO service.
- (d) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the White Form eIPO Service Provider is applying for Public Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by submitting an application to the White Form eIPO Service Provider through the designated website for the White Form eIPO service.
- (e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC and/or the White Form eIPO Service Provider, prior to making any application for Public Offer Shares.

### 2 Offer to purchase the Public Offer Shares

- (a) You offer to purchase from us at the Offer Price the number of the Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund check in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% without interest) will be sent to you at your own risk to the address stated on your Application Form on or before Thursday, December 27, 2012. Details of the procedure for refunds relating to each of Public Offer methods are contained in “—If your application for Public Offer Shares is successful (in whole or in part)”, “—Refund of application monies” and “—Additional information for applicants applying by giving electronic application instructions to HKSCC” below.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- (c) Any application may be rejected in whole or in part.
- (d) For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

### 3 Acceptance of your offer

- (a) The Public Offer Shares will be allocated after the application lists close. We expect to announce the final number of Public Offer Shares, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, December 27, 2012.
- (b) The results of allocations of the Public Offer Shares under the Public Offer, including the Hong Kong identity card numbers, passports numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer Shares successfully applied for, will be made available on Thursday, December 27, 2012 in the manner described in “How to Apply for Public Offer Shares—Publication of results, dispatch/collection of Share certificates and refunds of applications monies”.
- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 4 Effect of making any application

- (a) By completing and submitting any application, you:
  - **instruct** and authorize our Company and any of the Joint Lead Managers (or their respective agents or nominees) as agent of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s), or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association;
- **represent, warrant and undertake** that you understand the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S of the U.S. Securities Act) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company, and you agree that neither the Company, the Joint Sponsors, the Underwriters, other parties involved in the Global Offering nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that, once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk));
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that this is the only application which has been or will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)), and that you are duly authorized to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the Placing Shares, nor otherwise participate in the Placing;

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- **warrant** the truth and accuracy of the information contained in the application;
- **agree** to disclose to the Company, its Hong Kong Share Registrar, receiving bankers, advisers, agents, the Joint Sponsors, the Underwriters and their respective advisers and agents, any information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- if you apply by using an Application form, **authorize** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, respectively, and the Company and/or its agents to send any Share certificates (where applicable) and/or refund checks (if any) to you or (in the case of joint applicants) the first-named applicant on the Application Form, by ordinary post at your own risk to the address stated on your Application Form (except that, if you have applied for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you wish to collect your Share certificate(s) and/or refund check(s) (as applicable) in person, you can collect your Share certificate(s) and/or refund check(s) (as applicable) in person between 9:00 a.m. and 1:00 p.m. from Computershare Hong Kong Investor Services Limited on the date notified by the Company in the newspapers as the date of dispatch/ collection of Share certificate(s)/e-Refund payment instructions/refund check(s)). The date of dispatch/collection of Share certificate(s)/e-Refund payment instructions/refund check(s) is expected to be Thursday, December 27, 2012;
- **understand** that these declarations and representations will be relied upon by the Company and the Joint Lead Managers in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted if you make a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Sponsors, the Underwriters and the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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shareholder of the Company) (and, if applicable, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Articles of Association; and

- **agree** with the Company and each shareholder of the Company that Shares in the Company are freely transferable by the holders thereof.
- (b) If you apply for the Public Offer Shares using a yellow Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and, if you are joint applicants, each of you jointly and severally) agree that:
- any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
  - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allotted to you in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the name of the first-named applicant) and, in such a case, to post the Share certificates for such allotted Public Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;
  - each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares allotted to you and issued in the name of HKSCC Nominees;
  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and, if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of such things or the breach of the terms and conditions of the white Application Form or this prospectus:
- **instruct** and **authorize** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;



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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- **instruct** and **authorize** HKSCC to arrange payment of the maximum Offer Price, brokerage, the Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$3.53 per Public Offer Share, refund the appropriate portion of the application monies by crediting your designated bank account;
- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorize** HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to be done on your behalf on the **white** Application Form and the following;
- **agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf;
- **undertake** and **agree** to accept the Public Offer Shares in respect of which you have given **electronic application instructions**, or any lesser number;
- (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by the Company and the Joint Lead Managers in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- **authorize** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allocated in respect of your **electronic application instructions** and to send Share certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- **agree** that the Company, the Underwriters and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;
  - **agree** (without prejudice to any other rights which you may have) that, once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
  - **agree** to disclose your personal data to our Company, the Joint Sponsors, the Underwriters, the Hong Kong Share Registrar, receiving bankers, and our or their respective agents and advisers and any other information about you which they may reasonably require;
  - **agree** that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable on or before Thursday, December 27, 2012, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions, and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person on or before Thursday, December 27, 2012 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Thursday, December 27, 2012 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
  - **agree** that, once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by the Company; and
  - **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.
- (d) The Company, the Joint Sponsors, the Underwriters, other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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### 5 Multiple applications

- (a) It will be a term and condition of all applications that, by completing and delivering an Application Form or giving electronic application instructions, you:
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service; or
  - (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.
- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service;
  - both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service;
  - apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service for more than 50% of the Shares initially being offered for public subscription under the Public Offer (that is, 30,000,000 Shares), as more particularly described in "Structure of the Global Offering—The Public Offer"; or
  - have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the Placing.
- (c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:
- the only business of that company is dealing in securities; and

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- you exercise statutory control over that company,  
then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 6 Circumstances in which you will not be allotted Public Offer Shares

You should note the following situations in which Public Offer Shares will not be allotted to you or your application is liable to be rejected:

#### (a) If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf or to the designated White Form eIPO Service Provider through **White Form eIPO** service cannot be revoked on or before Thursday, December 27, 2012. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider. This collateral contract will be in consideration of the Company agreeing that we will not offer any Public Offer Shares to any person on or before Thursday, December 27, 2012 except by means of one of the procedures referred to in this prospectus. Your application or the application made by HKSCC Nominees on your behalf or to the designated White Form eIPO Service Provider through **White Form eIPO** service may only be revoked on or before Thursday, December 27, 2012 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If your application or the application made by HKSCC Nominees on your behalf or to the designated White Form eIPO Service Provider through **White Form eIPO** service has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

#### (b) If the Company, the Joint Lead Managers or the White Form eIPO Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:

We and the Lead Managers (as agent for the Company) and the White Form eIPO Service Provider (where applicable), or their respective agents and nominees, have

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

**(c) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks of the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(d) In the following circumstances:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the Placing. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, you agree not to apply for Offer Shares in the Placing. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;
- you apply for more than 50% of the Public Offer Shares initially being offered under the Public Offer (that is, 30,000,000 Shares);
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed and in accordance with the instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out on the designated website, [www.eipo.com.hk](http://www.eipo.com.hk);
- either of the Public Offer Underwriting Agreement or the International Placing Agreement does not become unconditional; or
- either of the Public Offer Underwriting Agreement or the International Placing Agreement is terminated in accordance with their respective terms.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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### **7 If your application for Public Offer Shares is successful (in whole or in part)**

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS, in which case share certificates will be deposited in CCASS).

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 28, 2012, provided that the Public Offer has become unconditional in all respects and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination” has not been exercised.

#### **(a) If you apply using a white Application Form:**

If you apply for 1,000,000 Public Offer Shares or more on a white Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) and/or refund check (where applicable) from the Hong Kong Share Registrar and have provided all information required by your Application Form, you may collect it/them in person from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 27, 2012 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) and/or Share certificate(s) (where applicable) in person, your refund check(s) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, December 27, 2012 by ordinary post and at your own risk.



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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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**(b) If you apply using a yellow Application Form:**

If you apply for Public Offer Shares using a yellow Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, December 27, 2012, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a yellow Application Form for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Thursday, December 27, 2012 in the manner described in "How To Apply For Public Offer Shares—Publication of results, dispatch/collection of Share certificates and refunds of application monies" of this prospectus. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 27, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your yellow Application Form to collect your refund check (where applicable) in person, please follow the same procedure as those for white Application Form applicants, as described above. If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund check (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund check (if any) will be sent to the address on your Application Form on Thursday, December 27, 2012, by ordinary post and at your own risk.

**(c) If you apply through White Form eIPO:**

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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9:00 a.m. to 1:00 p.m. on Thursday, December 27, 2012, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the White Form eIPO Service Provider on Thursday, December 27, 2012 by ordinary post and at your own risk.

If you apply through the White Form eIPO service and paid the application monies from a single bank account, refund monies (if any) will be dispatched to the application payment account in the form of e-Refund payment instructions; If you apply through White Form eIPO service and paid the application monies from multiple bank accounts, refund monies (if any) will be dispatched to the address as specified on the your White Form eIPO application in the form of refund check(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the White Form eIPO Service Provider set out in “—Additional information for applicants applying through **White Form eIPO**” below.

### **8 Refund of application monies**

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Public Offer Shares for any of the reasons set out in “—Circumstances in which you will not be allotted Public Offer Shares” above;
- the Offer Price as finally determined is less than the Offer Price of HK\$3.53 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Public Offer are not fulfilled in accordance with “Structure of the Global Offering—Conditions of the Public Offer”; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Lead Managers, checks for applications for certain small denominations of Public Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, December 27, 2012 in accordance with the various arrangements as described above. All refund checks will be crossed “Account Payee Only” and made out to you or, if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund check. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

### 9 Additional information for applicants applying through White Form eIPO

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the White Form eIPO Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website [www.eipo.com.hk](http://www.eipo.com.hk).

Otherwise, any monies payable to you due to a refund for any of the reasons set out in “—Refund of application monies” above shall be made pursuant to the arrangements described in “—If your application for Public Offer Shares is successful (in whole or in part)—If you apply through **White Form eIPO**” above.

### 10 Additional information for applicants applying by giving electronic application instructions to HKSCC

#### (a) Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

#### (b) Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for sums on paid application.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, December 27, 2012, or, in event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of the CCASS Participants (and, where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer on Thursday, December 27, 2012 in the manner described in “How To Apply For Public Offer Shares—Publication of results, dispatch/collection of Share certificates and refunds of application monies”. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 27, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, December 27, 2012. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 27, 2012. No interest will be paid thereon.

### 11 Personal data

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of our Shares of the policies and practices of the Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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### (a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s), and/or the dispatch of e-Refund payment instructions/refund check(s) to which you are entitled.

It is important that holders of securities inform us and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### (b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund check, where applicable, and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities, including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting in the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

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## FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFER

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### (c) Transfer of personal data

Personal data held by the Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential, but the Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- the Company or our respective appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or our Hong Kong Share Registrar in connection with the operation of their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

### (d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether the Company or our Hong Kong Share Registrar holds their personal data, to obtain a copy of that data and to correct any data that is inaccurate.

In accordance with the Ordinance, the Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in “Corporate Information” or as notified from time to time in accordance with applicable law, for the attention of the Company Secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.



*The following is the text of a report on Wison Engineering Services Co. Ltd., prepared for the purpose of incorporation in this prospectus received from the auditors and reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.*



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

December 13, 2012

The Directors  
Wison Engineering Services Co. Ltd.  
Citigroup Global Markets Asia Limited  
Deutsche Bank AG, Hong Kong Branch  
BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of Wison Engineering Services Co. Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2009, 2010 and 2011 and June 30, 2012, together with the notes thereto (the “Financial Information”), and the comparative consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended June 30, 2011 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2 of Section II, below for inclusion in the prospectus of the Company dated December 13, 2012 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 30, 2004. Pursuant to a group reorganization (the “Reorganization”), as described in the subsection headed “History, Reorganization and Group Structure” in the Prospectus, which was completed on May 16, 2011, the Company acquired the entire issued share capital of Wison Engineering Technology Limited (“Wison Technology”), a company incorporated in the British Virgin Islands, which was the then holding company of the other subsidiaries comprising the Group and became the holding company of the Group. Particulars of the Company and its subsidiaries are set out in note 1 of Section II below. The Company and its subsidiaries have adopted December 31 as their financial year end date.

As of the date of this report, no statutory financial statements have been prepared by the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. The statutory financial statements of the subsidiary incorporated in the British Virgin Islands were not prepared as it is not subject to statutory audit requirements under the

relevant rules and regulations in its jurisdiction of incorporation. The statutory financial statements of the companies established or incorporated in Mainland China, Singapore and Hong Kong were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the Group's consolidated financial statements for each of the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The Underlying Financial Statements for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

### **Directors' responsibility**

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

**Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at December 31, 2009, 2010 and 2011 and June 30, 2012 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

**Review conclusion in respect of the Interim Comparative Information**

Based on our review which does not constitute an audit for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I FINANCIAL INFORMATION

## Consolidated Statements of Comprehensive Income

The following is a summary of the consolidated results of the Group for the Relevant Periods and for the six months ended June 30, 2011 prepared on the basis set out in Section II:

	Notes	Year ended December 31,			Six months ended June 30,	
		2009	2010	2011	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>REVENUE</b> .....	6	1,884,387	4,976,220	5,036,622	1,655,187	861,725
Cost of sales .....		(1,325,161)	(3,755,811)	(3,829,895)	(1,287,611)	(677,604)
<b>GROSS PROFIT</b> .....		559,226	1,220,409	1,206,727	367,576	184,121
Other income and gains .....	6	25,086	34,969	30,558	16,110	16,565
Selling and marketing expenses .....		(14,711)	(25,849)	(24,960)	(20,502)	(32,531)
Administrative expenses .....		(120,602)	(158,165)	(124,073)	(81,061)	(66,752)
Other expenses .....		(66,286)	(119,359)	(155,709)	(56,206)	(52,004)
Finance costs .....	7	(87,579)	(133,704)	(137,944)	(81,881)	(53,023)
Share of profits of an associate .....		118	358	618	215	102
<b>PROFIT/(LOSS) BEFORE TAX</b> .....	8	295,252	818,659	795,217	144,251	(3,522)
Income tax .....	10	(65,309)	(182,639)	(205,504)	(35,536)	5,766
<b>PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> ...		<u>229,943</u>	<u>636,020</u>	<u>589,713</u>	<u>108,715</u>	<u>2,244</u>
Attributable to:						
Owner of the parent .....		206,642	567,685	518,753	95,382	301
Non-controlling interests .....		23,301	68,335	70,960	13,333	1,943
		<u>229,943</u>	<u>636,020</u>	<u>589,713</u>	<u>108,715</u>	<u>2,244</u>

Details of the dividends payable and proposed for the Relevant Periods are disclosed in note 11 to the Financial Information.

## Consolidated Statements of Financial Position

	Notes	December 31,			June 30,
		2009	2010	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	249,683	250,313	443,702	556,968
Investment properties	15	17,039	16,458	15,877	15,587
Prepaid land lease payments	16	15,202	14,786	14,370	189,427
Goodwill	17	15,752	15,752	15,752	15,752
Other intangible assets	18	10,000	9,434	12,172	13,160
Investment in an associate	19	1,018	1,376	1,994	2,096
Long-term prepayments	23	17,637	17,637	167,834	20,000
Deferred tax assets	29	6,625	6,451	8,940	7,386
Total non-current assets		332,956	332,207	680,641	820,376
<b>CURRENT ASSETS</b>					
Inventories	20	51,846	117,044	46,850	59,086
Gross amounts due from contract customers	21	352,749	468,032	2,096,204	2,133,389
Trade and bills receivables	22	630,574	802,088	163,775	157,289
Due from a director	32	438	659	—	—
Due from related companies	32	34,728	543,740	172	233
Due from fellow subsidiaries	32	487,020	1,178,185	3,087	6,173
Due from the ultimate holding company	32	873,998	343,632	89	87
Prepayments, deposits and other receivables	23	43,945	49,152	80,382	162,234
Pledged bank balances and time deposits	24	898,344	1,568,673	508,183	718,769
Unpledged cash and bank balances	24	435,622	542,181	639,970	571,014
Total current assets		3,809,264	5,613,386	3,538,712	3,808,274
<b>CURRENT LIABILITIES</b>					
Gross amounts due to contract customers	21	703,870	414,278	562	336,354
Trade and bills payables	25	588,919	1,031,157	1,508,147	1,387,524
Other payables, advance from customers and accruals	26	133,660	252,599	175,212	137,481
Derivative financial instruments	34	—	746	—	—
Interest-bearing bank borrowings	27	1,823,347	2,592,683	1,391,604	2,223,474
Due to a related company	32	19,978	—	78	78
Due to a fellow subsidiary	32	3,686	—	—	—
Due to an associate	32	—	—	630	630
Due to a related party	32	600	—	—	—
Dividends payable		184,605	184,605	—	61,353
Tax payable		41,117	72,201	74,711	—
Total current liabilities		3,499,782	4,548,269	3,150,944	4,146,894
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>309,482</b>	<b>1,065,117</b>	<b>387,768</b>	<b>(338,620)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>642,438</b>	<b>1,397,324</b>	<b>1,068,409</b>	<b>481,756</b>
<b>NON-CURRENT LIABILITIES</b>					
Finance lease payables	28	953	715	731	551
Interest-bearing bank borrowings	27	233,849	290,000	200,000	—
Deferred tax liabilities	29	28,351	91,304	63,255	341
Government grants	30	—	—	—	2,250
Total non-current liabilities		263,153	382,019	263,986	3,142
<b>NET ASSETS</b>		<b>379,285</b>	<b>1,015,305</b>	<b>804,423</b>	<b>478,614</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Issued capital	31	—	—	1	1
Reserves	31	273,328	841,013	649,325	392,927
		<b>273,328</b>	<b>841,013</b>	<b>649,326</b>	<b>392,928</b>
<b>Non-controlling interests</b>		<b>105,957</b>	<b>174,292</b>	<b>155,097</b>	<b>85,686</b>
<b>TOTAL EQUITY</b>		<b>379,285</b>	<b>1,015,305</b>	<b>804,423</b>	<b>478,614</b>

### Consolidated Statement of Changes in Equity

The movements in the consolidated statements of changes in equity of the Group during the Relevant Periods and the six months ended June 30, 2011 prepared on the basis set out in Section II below are as follows:

	Attributable to owners of the parent							Total equity RMB'000	
	Issued capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 31)	Redemption reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 31)	Expansion reserve* RMB'000 (note 31)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000		
As at January 1, 2009	—	—	1	8,439	8,003	8,191	41,566	91,781	157,981
Transfer to statutory reserve fund	—	—	—	1,240	1,240	—	(2,480)	—	—
Deemed contribution by the then equity holder of a subsidiary	—	486	—	—	—	—	—	—	486
Profit and total comprehensive income for the year	—	—	—	—	—	—	206,642	23,301	229,943
Dividends declared	—	—	—	—	—	—	(9,125)	(9,125)	(9,125)
As at December 31, 2009 and January 1, 2010	—	486	1	9,679	9,243	8,191	245,728	105,957	379,285
Transfer to statutory reserve fund	—	—	—	1,613	—	—	(1,613)	—	—
Profit and total comprehensive income for the year	—	—	—	—	—	—	567,685	68,335	636,020
As at December 31, 2010 and January 1, 2011	—	486	1	11,292	9,243	8,191	811,800	174,292	1,015,305
Transfer to statutory reserve fund	—	—	—	14,646	7,878	—	(22,524)	—	—
Issue of shares	1	(1)	—	—	—	46	—	—	46
Exchange realignment	—	—	—	—	—	—	—	—	—
Deemed distribution to the then equity holder of a subsidiary	—	(486)	—	—	—	—	—	—	(486)
Profit and total comprehensive income for the year	—	—	—	—	—	—	518,753	70,960	589,713
Dividends declared	—	—	—	—	—	—	(710,000)	(90,155)	(800,155)
As at December 31, 2011 and January 1, 2012	1	(1)	1	25,938	17,121	8,237	598,029	155,097	804,423
Transfer to statutory reserve fund	—	—	—	6,553	6,553	—	(13,106)	—	—
Exchange realignment	—	—	—	—	—	(143)	—	—	(143)
Profit and total comprehensive income for the period	—	—	—	—	—	—	301	1,943	2,244
Dividends declared	—	—	—	—	—	—	(256,556)	(71,354)	(327,910)
As at June 30, 2012	1	(1)	1	32,491	23,674	8,094	328,668	85,686	478,614
<b>Unaudited</b>									
As at December 31, 2010 and January 1, 2011	—	486	1	11,292	9,243	8,191	811,800	174,292	1,015,305
Issue of shares	1	(1)	—	—	—	—	—	—	—
Profit and total comprehensive income for the period	—	—	—	—	—	—	95,382	13,333	108,715
Deemed distribution to the then equity holder of a subsidiary	—	(486)	—	—	—	—	—	—	(486)
As at June 30, 2011	1	(1)	1	11,292	9,243	8,191	907,182	187,625	1,123,534

\* These reserve accounts represent the total consolidated reserves of RMB273,328,000, RMB841,013,000, RMB649,325,000, RMB935,908,000 and RMB392,927,000 in the consolidated statements of financial position as at December 31, 2009, 2010, 2011 and June 30, 2011 and 2012, respectively.



### Consolidated Statements of Cash Flows

The consolidated statements of cash flow of the Group for the Relevant Periods and for the six months ended June 30, 2011 prepared on the basis set out in Section II below are as follows:

	Notes	Year ended December 31,			Six months ended June 30,	
		2009	2010	2011	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit/(loss) before tax		295,252	818,659	795,217	144,251	(3,522)
Adjustments for:						
Depreciation of property, plant and equipment and investment properties	8,14,15	21,080	20,426	19,897	9,630	10,842
Amortization of intangible assets	8,18	4,076	3,641	4,104	2,030	2,446
Amortization of prepaid land lease payments	8,16	416	416	416	208	2,562
Share of profits of an associate		(118)	(358)	(618)	(215)	(102)
(Reversal of provision)/provision for inventories	8,20	(3,532)	637	(599)	975	—
(Gain)/loss on disposal of property, plant and equipment	8	(17)	393	(123)	42	57
Loss on disposal of other intangible assets	8	—	164	—	—	—
Fair value loss, net:						
Derivative instruments—transactions not qualifying as hedges	8	—	746	5,764	1,615	—
Reversal of impairment of investment in an associate	8	(300)	—	—	—	—
Reversal of impairment of trade and bills receivables	8,22	(1,100)	(1,246)	(1,000)	(1,000)	—
Finance costs	7	87,579	133,704	137,944	81,881	53,023
Interest income	6	(12,592)	(30,585)	(19,075)	(12,026)	(10,825)
		<b>390,744</b>	<b>946,597</b>	<b>941,927</b>	<b>227,391</b>	<b>54,481</b>
Decrease/(increase) in inventories		16,057	(65,835)	70,793	(103,280)	(12,236)
(Increase)/decrease in trade and bills receivables		(371,428)	(170,268)	639,313	227,191	6,486
Decrease/(increase) in prepayments, deposits and other receivables		11,061	(5,207)	(31,184)	(71,174)	(77,958)
Decrease(increase) in amounts due from/(to) contract customers		(213,484)	(404,875)	(2,041,888)	11,343	298,607
Increase/(decrease) in trade and bills payables		340,982	442,238	476,990	112,362	(120,623)
Increase/(decrease) in other payables, advance from customers and accruals		34,356	118,939	(77,387)	(170,115)	(37,731)
Decrease in derivative financial liabilities		—	—	(6,510)	(4,396)	—
		<b>208,288</b>	<b>861,589</b>	<b>(27,946)</b>	<b>229,322</b>	<b>111,026</b>
Interest received		12,592	30,585	19,075	12,026	10,825
Interest paid		(87,579)	(133,704)	(137,944)	(81,881)	(53,023)
Tax paid		(21,045)	(88,428)	(233,532)	(75,217)	(130,305)
<b>Net cash flows from/(used in) operating activities</b>		<b>112,256</b>	<b>670,042</b>	<b>(380,347)</b>	<b>84,250</b>	<b>(61,477)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of items of property, plant and equipment		(7,015)	(21,931)	(212,825)	(9,686)	(123,978)
Deposits paid for purchase of land use right		(17,637)	—	(150,197)	—	(13,822)
Investment in an associate		(600)	—	—	—	—
(Increase)/decrease in an amount due from a director		913	(221)	659	659	—
(Increase)/decrease in an amount due from the ultimate holding company		(775,873)	530,366	343,543	223,663	2
(Increase)/decrease in amounts due from fellow subsidiaries		(405,037)	(691,165)	1,177,216	284,278	(3,086)
(Increase)/decrease in amounts due from related companies		(29,728)	(509,012)	541,450	(103,648)	(61)
Proceeds from disposal of items of property, plant and equipment		1,694	1,253	749	773	103
Purchase of other intangible assets	18	(1,648)	(3,239)	(6,842)	(1,596)	(3,434)
Proceeds from disposal of an equity investment at fair value through profit or loss		50,000	—	—	—	—
Increase in government grant		—	—	—	—	2,250
<b>Net cash flows (used in)/from investing activities</b>		<b>(1,184,931)</b>	<b>(693,949)</b>	<b>1,693,753</b>	<b>394,443</b>	<b>(162,026)</b>

Notes	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Capital contribution by the then equity holder of a subsidiary	486	—	—	—	—
Decrease in amount due to a fellow subsidiary	(46,764)	(3,686)	—	—	—
Increase/(decrease) in amount due to a related company	14,591	(19,978)	78	—	—
Increase in an amount due to an associate	—	—	630	630	—
Increase/(decrease) in amount due to a related party	600	(600)	—	—	—
Capital element of finance lease payments	(222)	(377)	(428)	(184)	(280)
Dividends paid	(9,125)	—	(984,760)	—	(266,557)
Deemed distribution of the then equity holder	—	—	(486)	(486)	—
(Increase)/decrease in pledged deposits	(528,351)	(670,329)	1,060,490	(144,551)	(210,586)
New bank loans	2,761,997	3,756,934	1,406,055	800,041	1,431,226
Repayment of bank loans	(1,171,433)	(2,931,498)	(2,697,196)	(1,515,565)	(799,256)
Increase in unpledged time deposits with original maturity of more than three months	—	—	(130,000)	—	(2,145)
<b>Net cash flows from/(used in) financing activities</b>	<b>1,021,779</b>	<b>130,466</b>	<b>(1,345,617)</b>	<b>(860,115)</b>	<b>152,402</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents at beginning of year/period	486,518	435,622	542,181	542,181	509,970
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<b>435,622</b>	<b>542,181</b>	<b>509,970</b>	<b>160,759</b>	<b>438,869</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances	24	400,622	542,181	639,970	160,759
Unpledged time deposits with original maturity of less than three months when acquired	24	35,000	—	—	—
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION</b>		<b>435,622</b>	<b>542,181</b>	<b>639,970</b>	<b>160,759</b>
Unpledged time deposits with original maturity of more than three months when acquired	24	—	—	(130,000)	—
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>435,622</b>	<b>542,181</b>	<b>509,970</b>	<b>160,759</b>
					<b>438,869</b>

## STATEMENT OF FINANCIAL POSITION

	Notes	Year ended December 31,			As of June 30,
		2009	2010	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary .....	33	—	—	1	1
Equipment .....	14	8	—	—	—
Total non-current assets .....		8	—	1	1
<b>CURRENT ASSETS</b>					
Due from a fellow subsidiary .....	32	3	7	—	—
Due from a subsidiary .....	32	—	—	62,323	61,485
Prepayments, deposits and other receivables .....	23	123	1,683	9,318	9,823
Dividend receivables .....		—	—	162,003	438,609
Cash and cash equivalents .....	24	1,336	81	436	19,820
Total current assets .....		1,462	1,771	234,080	529,737
<b>CURRENT LIABILITIES</b>					
Accruals .....	26	474	—	12,633	11,446
Due to fellow subsidiaries .....	32	38,078	44,586	—	—
Due to subsidiaries .....	32	—	—	243,355	246,040
Due to the ultimate holding company .....	32	4,466	4,483	—	—
Total current liabilities .....		43,018	49,069	255,988	257,486
<b>NET CURRENT (LIABILITIES)/ASSETS .....</b>		<b>(41,556)</b>	<b>(47,298)</b>	<b>(21,908)</b>	<b>272,252</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES .....</b>					
		<b>(41,548)</b>	<b>(47,298)</b>	<b>(21,907)</b>	<b>272,252</b>
<b>NET (LIABILITIES)/ASSETS .....</b>		<b>(41,548)</b>	<b>(47,298)</b>	<b>(21,907)</b>	<b>272,252</b>
<b>EQUITY</b>					
Issued capital .....	31	—	—	1	1
(Accumulated losses)/retained profits .....	31(c)	(41,548)	(47,298)	(21,908)	272,251
<b>(DEFICIENCY IN ASSETS)/TOTAL EQUITY .....</b>		<b>(41,548)</b>	<b>(47,298)</b>	<b>(21,907)</b>	<b>272,252</b>

## II NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, George Town, Grand Cayman, KY1-1108, Cayman Islands.

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

The Group is principally engaged in the provision of project solutions to petrochemicals and coal-to-chemicals producers in the design, building and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the People’s Republic of China (the “PRC”). As at the date of this report, the Company had direct or indirect interests in the following subsidiaries.

Name of company	Place and date of incorporation/ establishment	Nominal value of issued and paid up capital	Percentage of equity interest attributable to the Group
<b>Directly held:</b>			
Wison Engineering Technology Limited (“Wison Technology”) <sup>(a)</sup>	British Virgin Islands April 23, 2003	United States dollar (“US\$”)1	100%
<b>Indirectly held:</b>			
Wison Energy Engineering (Hong Kong) Limited (“Wison Energy (HK)”) <sup>(b)</sup>	Hong Kong June 3, 2008	Hong Kong dollar (“HK”) 1,000,000	100%
Wison Singapore Pte. Ltd (“Wison Singapore”) <sup>(c)</sup>	Singapore July 9, 2009	Singapore dollar (“SG\$”) 100,000	100%
惠生工程（中國）有限公司 (“Wison Engineering Ltd.”) (Formerly known as 上海惠生化工 工程有限公司 (“Shanghai Wison Chemical Engineering Co., Ltd”)) (“Wison Engineering”) <sup>(d)</sup>	People’s Republic of China (“PRC”) November 14, 1997	RMB300,600,000	75%
惠生（揚州）化工機械有限公司 (“Wison (FYI) Chemical Machinery Co., Ltd.”) (“Wison Yangzhou”) <sup>(e)</sup>	PRC May 18, 2004	US\$13,000,000	100%

(a) As at the date of this report, the authorized share capital of Wison Technology was US\$50,000. Wison Technology is incorporated in the British Virgin Islands as an investment holding company. No statutory financial statements have been prepared by Wison Technology as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) As at the date of this report, the registered capital of Wison Energy (HK) has been fully paid up. Wison Energy (HK) is incorporated in Hong Kong and acts principally as an investment holding company. The statutory financial statements of Wison Energy (HK) for the years ended December 31, 2009, 2010 and 2011 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Nelson and Company, a certified public accounting firm in Hong Kong.

(c) As at the date of this report, the registered capital of Wison Singapore has been fully paid up. Wison Singapore was incorporated in Singapore. Wison Singapore has been dormant since incorporation. The statutory financial statements of Wison Singapore for the years ended December 31, 2009, 2010 and 2011 prepared in accordance with Singapore Financial Reporting Standards have been audited by Ernst & Young, Singapore, a certified public accounting firm in Singapore.

(d) As at the date of this report, the registered capital of Wison Engineering has been fully paid up. Wison Engineering is a Sino-foreign co-operative enterprise established in the PRC. The principal activities of Wison Engineering are the provision of solutions for renovating existing ethylene cracking furnaces and design building new ethylene cracking furnaces, and the

provision of other chemical engineering processing system solutions in the PRC. Wison Engineering is treated as a subsidiary because the Company has unilateral control over Wison Engineering. As at June 30, 2012, the registered capital of Wison Engineering was fully paid up. The joint venture partners' profit sharing ratios of Wison Engineering are not in proportion to their equity ratios but are as defined in the joint venture contract and other relevant documents. Pursuant to the joint venture contract, Wison Energy (HK) and the joint venture partner share the profits of Wison Engineering at a 90%:10% ratio, respectively.

The statutory financial statements of Wison Engineering for the years ended December 31, 2009, 2010 and 2011 prepared in accordance with the PRC general accepted accounting principles ("PRC GAAP") have been audited by 上海公信中南會計師事務所有限公司 ("Gongxin Zhongnan Certified Public Accountants Co., Ltd."), a certified public accounting firm registered in the PRC.

- (e) As at the date of this report, the registered capital of Wison Yangzhou has been fully paid up. Wison Yangzhou is a wholly-foreign-owned enterprise established in the PRC. The registered capital of Wison Yangzhou is US\$13,000,000. As at June 30, 2012, the registered capital of Wison Yangzhou was fully paid up. The principal activities of Wison Yangzhou are the manufacture and sale of heat resistant alloy pipes and materials for cracking furnaces.

The statutory financial statements of Wison Yangzhou for the years ended December 31, 2009, 2010 and 2011 prepared in accordance with PRC GAAP have been audited by 江蘇蘇亞金城會計師事務所有限公司 ("Jiangsu Suya Jincheng Certified Public Accountants Co., Ltd."), a certified public accounting firm registered in the PRC.

## 2. BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the subsection headed "History, Reorganization and Group Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on May 16, 2011. The companies now comprising the Group were under common control of the controlling shareholder, Wison Holding, before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information and the Interim Comparative Information of the Group have been prepared by applying the principles of merge accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months ended June 30, 2011 have been prepared as if the current group structure had been in existence throughout the Relevant Periods and the six months ended June 30, 2011, or since the respective dates of incorporation or establishment of the respective companies now comprising the Group, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2009, 2010 and 2011 and June 30, 2012 have been prepared as if the current group structure had been in existence at the dates and to present the assets and liabilities of the subsidiaries using the then carrying values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

### 3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting periods commencing from January 1, 2012, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## (a) Going Concern

As at June 30, 2012, the Group had current liabilities of RMB338,620,000. The Directors of the Company are of the opinion that, taking into account the presently available banking and credit facilities, internal financial resources of the Group and cash in inflow from profitable operation, there is sufficient working capital for its present requirements. Hence the consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors of the Company, the Group should be able to continue as a viable going concern. Adjustments would have to be made to write down the values of assets to their recoverable amounts and to provide for any further liabilities which might arise should the Group be unable to operate as a going concern. The effect of these adjustments has not been reflected in the Financial Information for the Relevant Periods.

**3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs**

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

IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statement—Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> <sup>2</sup>
IAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (Revised)	<i>Investment in Associate and Joint Ventures</i> <sup>2</sup>
IAS 32 Amendments	<i>Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards—Government Loans</i> <sup>2</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: <i>Transition Guidance</i> <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 <i>Investment Entities</i> <sup>3</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
<i>Annual Improvement Projects</i>	<i>Annual Improvements to IFRSs 2009-2011 Cycles</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2012

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2013

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2014

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2015



The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

### **3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of consolidation***

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. As explained in note 3.1 above, the acquisition of subsidiaries under common control has been accounted for using the merge method of accounting.

The merge method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party. The net assets of the consolidating entities or businesses are consolidated using the existing book value. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

#### ***Subsidiaries***

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### ***Joint ventures***

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realized upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture;  
or
- (d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

### ***Associates***

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in an associate, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

### ***Business combination and goodwill***

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

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

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

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

#### ***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, deferred tax assets and goodwill), 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 to sell, 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 recognized 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.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

***Related parties***

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly-controlled by a person identified in (a); and
  - (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).

***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 "Non-current Assets Held for Sale and Discontinued Operations". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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 capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to depreciate 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.

Useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 recognized in profit or loss in the period the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### ***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 measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at depreciated cost (less any impairment losses).

### ***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 as 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization over an estimated useful life of five years.

*Research and development costs*

All research costs are charged to profit or loss incurred.

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

***Leases***

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized 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 capitalized 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.

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

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

***Investments and other financial assets****Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include unpledged cash and bank balances, pledged bank balances and time deposits, trade and bills receivables, other receivables, an amount



due from a director, amounts due from fellow subsidiaries, amounts due from related companies and an amount due from the ultimate holding company.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification 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 amortized cost using the effective interest rate method less any allowance for impairment. Amortized 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 amortization is included in finance income in profit or loss. The loss arising from impairment is recognized in profit or loss.

#### ***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 derecognized when:

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

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

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

***Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group 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 reorganization 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 amortized cost***

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the impairment loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued 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.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future 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 within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and bills payables, other payables, an amount due to the ultimate holding company, an amount due to a related company, an amount due to a fellow subsidiary, an amount due to an associate, an amount due to a related party, derivative financial instruments, finance lease payables and interest-bearing bank borrowings.

#### *Subsequent measurement*

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

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings and finance lease payables are subsequently measured at amortized 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 recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized 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 amortization is included in finance costs in profit or loss.

#### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

***Derecognition of financial liabilities***

Financial liabilities are derecognized 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 recognized 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, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

***Fair value of financial instruments***

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

***Inventories***

Inventories are stated at the lower of cost and net realizable 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 labor and appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

***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 labor and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognized on 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.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognized profits less recognized 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 recognized profits less recognized 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 labor and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognized 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 recognized 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 recognized profits less recognized 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 recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

### ***Cash and cash equivalents***

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

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

### ***Provisions***

A provision is recognized 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 recognized for a provision is the present value at the end of 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 profit or loss.

***Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 Group operates.

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

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

- where the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries and an associate, where 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 recognized for all deductible temporary differences, 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 utilized, 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 recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### ***Government grants***

Government grants are recognized 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 recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is 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 recognized when it is probable that the economic benefits will flow to the Group 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" above;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group 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" above 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 discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) rental income, on a time proportion basis over the lease terms.

### ***Other employee retirement benefits***

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salary and charged to profit or loss as they become payable in accordance with the rules of the MPF

Scheme. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China ("PRC group companies") have participated in a local municipal government retirement benefits 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 Group 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 capitalized as part of the cost of those assets. The capitalization 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 capitalized. 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 proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

### ***Foreign currencies***

These financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the

dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year and the period. The resulting exchange differences are recognized 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 recognized in profit or loss.

For the purpose of the consolidated statements of the cash flow, the cash flows of overseas subsidiaries 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.

### ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

## **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

### ***Judgments***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Financial Information:

#### ***Operating lease commitments—Group as lessor***

The Group has entered into commercial property leases on its investment properties portfolio. The Group 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 Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment 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 disclosed below:

*Estimated useful lives of property, plant and equipment*

The Group'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.

*Percentage of completion of construction works*

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

progresses. 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 labor, 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 Group 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 to sell and its value in use. The calculation of the fair value less costs to sell 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*

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group 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 Group would be required to revise the basis for making the allowance and its future results would be affected.

*Impairment test of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. The carrying amount of goodwill of the Group arose from the acquisition of 河南省化工設計院 ("Henan Chemical Industry Design Institute") on November 30, 2007. This requires an estimation of the value in use of the asset and the cash-generating units to which the asset is allocated. Management consider that the goodwill should be allocated to the Group's operating segments (cash generating units) as Henan Chemical Industry Design Institute provides the design service (integral to these contracts). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at June 30, 2012 was RMB15,752,000. Details are set out in note 17.

*PRC corporate income tax*

The Group is subject to corporate income taxes in the PRC. 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 judgment 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 realize.

*Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**5. OPERATING SEGMENT INFORMATION**

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

- (a) Ethylene and downstream petrochemicals segment engages in the provision of service to ethylene and downstream petrochemicals, which includes design-building of ethylene production facilities, renovating and rebuilding existing ethylene cracking furnaces and technology consultancy, engineering, procurement and construction management services;
- (b) Coal-to-chemicals segment engages in the provision of a broad range of EPC services to coal-to-chemicals producers;
- (c) Oil refineries segment engages in the provision of procurement and construction management services to the project owners for the construction of oil refineries; and
- (d) The other products and services segment engages in the provision of services on other industries, such as fine chemical production facilities and manufacture of integrated piping systems.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations.

Segment assets exclude property, plant and equipment, investment properties, prepaid land lease payment, goodwill, other intangible assets, an investment in an associate, long-term prepayments, deferred tax assets, amounts due from related companies, amounts due



from fellow subsidiaries and an amount due from the ultimate holding company, an amount due from a director, deposits and other receivables and unpledged cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, interest-bearing bank borrowings, an amount due to a related company, an amount due to a fellow subsidiary, an amount due to an associate and an amount due to a related party, derivative financial instruments, dividends payable, tax payable, finance lease payables government grant and deferred tax liabilities as these liabilities are managed on a group basis.

No further geographical segment information is presented as over 90% of the Group's revenue from external customers is derived from its operation in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

### Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the Relevant Periods:

<u>Year ended December 31, 2009</u>	<u>Ethylene and downstream petrochemicals</u> <i>RMB'000</i>	<u>Coal-to- chemicals</u> <i>RMB'000</i>	<u>Oil refinery</u> <i>RMB'000</i>	<u>Other products and services</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers .....	1,386,295	210,929	207,225	79,938	1,884,387
Intersegment sales .....	—	—	—	58,845	58,845
<b>Total revenue</b> .....	<b><u>1,386,295</u></b>	<b><u>210,929</u></b>	<b><u>207,225</u></b>	<b><u>138,783</u></b>	<b><u>1,943,232</u></b>
<i>Reconciliation:</i>					
Elimination of intersegment sales .....					(58,845)
Revenue from continuing operations .....					<u>1,884,387</u>
<b>Segment results</b> .....					
	396,414	90,505	47,349	24,958	559,226
<i>Reconciliations:</i>					
Unallocated income .....					25,204
Unallocated expenses .....					(201,599)
Finance costs .....					(87,579)
Profit before tax .....					<u>295,252</u>
<b>Segment assets</b> .....					
	415,344	288,332	265,501	67,458	1,036,635
<i>Reconciliations:</i>					
Corporate and other unallocated assets . . .					<u>3,105,585</u>
Total assets .....					<u>4,142,220</u>
<b>Segment liabilities</b> .....					
	880,595	26,402	356,750	30,566	1,294,313
<i>Reconciliations:</i>					
Corporate and other unallocated liabilities .....					<u>2,468,622</u>
Total liabilities .....					<u>3,762,935</u>
<b>Other segment information</b>					
Share of profits and losses of:					
Associate .....	—	—	—	118	118
Impairment losses reversed in the income statement .....	(3,532)	—	—	(1,100)	(4,632)
Depreciation and amortization					
Unallocated .....					25,572
Segment .....					—
Investment in an associate .....	—	—	—	1,018	1,018
Capital expenditure*					
Unallocated .....					26,300
Segment .....					—

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and other intangible assets.

## APPENDIX I

## ACCOUNTANTS' REPORT

<u>Year ended December 31, 2010</u>	<u>Ethylene and downstream petrochemicals</u> <i>RMB'000</i>	<u>Coal-to- chemicals</u> <i>RMB'000</i>	<u>Oil refinery</u> <i>RMB'000</i>	<u>Other products and services</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers .....	2,860,453	28,398	2,050,011	37,358	4,976,220
Intersegment sales .....	—	—	—	91,931	91,931
<b>Total revenue</b> .....	<u>2,860,453</u>	<u>28,398</u>	<u>2,050,011</u>	<u>129,289</u>	<u>5,068,151</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales .....					(91,931)
Revenue from continuing operations .....					<u>4,976,220</u>
<b>Segment results</b> .....	752,653	21,717	431,893	14,146	1,220,409
<i>Reconciliations:</i>					
Unallocated income .....					35,327
Unallocated expenses .....					(303,373)
Finance costs .....					(133,704)
Profit before tax .....					<u>818,659</u>
<b>Segment assets</b> .....	537,536	117,574	702,412	31,976	1,389,498
<i>Reconciliations:</i>					
Corporate and other unallocated assets .....					4,556,095
Total assets .....					<u>5,945,593</u>
<b>Segment liabilities</b> .....	763,965	10,625	668,814	2,929	1,446,333
<i>Reconciliations:</i>					
Corporate and other unallocated liabilities .....					3,483,955
Total liabilities .....					<u>4,930,288</u>
<b>Other segment information</b>					
Share of profits and losses of:					
Associate .....	—	—	—	358	358
Impairment losses recognized in profit or loss .....	—	—	—	637	637
Impairment losses reversed in profit or loss .....	(1,246)	—	—	—	(1,246)
Depreciation and amortization					
Unallocated .....					24,483
Segment .....					—
Investment in an associate .....	—	—	—	1,376	1,376
Capital expenditure*					
Unallocated .....					25,170
Segment .....					—

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

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## ACCOUNTANTS' REPORT

<u>Year ended December 31, 2011</u>	<u>Ethylene and downstream petrochemicals</u> <i>RMB'000</i>	<u>Coal-to- chemicals</u> <i>RMB'000</i>	<u>Oil refinery</u> <i>RMB'000</i>	<u>Other products and services</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers .....	1,624,226	949,736	2,447,046	15,614	5,036,622
Intersegment sales .....	32,062	—	—	2,417	34,479
<b>Total revenue</b> .....	<b><u>1,656,288</u></b>	<b><u>949,736</u></b>	<b><u>2,447,046</u></b>	<b><u>18,031</u></b>	<b><u>5,071,101</u></b>
<i>Reconciliation:</i>					
Elimination of intersegment sales .....					(34,479)
Revenue from continuing operations .....					<u>5,036,622</u>
<b>Segment results</b> .....	408,880	240,298	556,051	1,498	1,206,727
<i>Reconciliations:</i>					
Unallocated income .....					31,176
Unallocated expenses .....					(304,742)
Finance costs .....					(137,944)
Profit before tax .....					<u>795,217</u>
<b>Segment assets</b> .....	926,878	597,564	811,465	44,702	2,380,609
<i>Reconciliations:</i>					
Elimination of intersegment receivables .....					(30,221)
Corporate and other unallocated assets .....					<u>1,868,965</u>
Total assets .....					<u>4,219,353</u>
<b>Segment liabilities</b> .....	547,073	316,125	643,659	3,300	1,510,157
<i>Reconciliations:</i>					
Elimination of intersegment payables .....					(1,406)
Corporate and other unallocated liabilities .....					<u>1,906,179</u>
Total liabilities .....					<u>3,414,930</u>
<b>Other segment information</b>					
Share of profits and losses of:					
Associate .....	—	—	—	618	618
Impairment losses recognized in profit or loss .....	975	—	—	—	975
Impairment losses reversed in profit or loss .....	(2,574)	—	—	—	(2,574)
Depreciation and amortization					
Unallocated .....					24,417
Segment .....					—
Investment in an associate .....					1,994
Capital expenditure*					
Unallocated .....					369,864
Segment .....					—

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and other intangible assets.

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## ACCOUNTANTS' REPORT

<u>Six months ended June 30, 2012</u>	<u>Ethylene and downstream petrochemicals</u> <i>RMB'000</i>	<u>Coal-to- chemicals</u> <i>RMB'000</i>	<u>Oil refinery</u> <i>RMB'000</i>	<u>Other products and services</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers .....	130,166	520,785	125,184	85,590	861,725
Intersegment sales .....	32,926	549	—	—	33,475
<b>Total revenue</b> .....	<u>163,092</u>	<u>521,334</u>	<u>125,184</u>	<u>85,590</u>	<u>895,200</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales .....					(33,475)
Revenue from continuing operations .....					<u>861,725</u>
<b>Segment results</b> .....	21,216	133,693	17,453	11,759	184,121
<i>Reconciliations:</i>					
Unallocated income .....					16,667
Unallocated expenses .....					(151,287)
Finance costs .....					(53,023)
Loss before tax .....					<u>(3,522)</u>
<b>Segment assets</b> .....	796,593	769,962	724,567	130,371	2,421,493
<i>Reconciliations:</i>					
Elimination of intersegment receivables ...					(22,723)
Corporate and other unallocated assets ...					<u>2,229,880</u>
Total assets .....					<u>4,628,650</u>
<b>Segment liabilities</b> .....	402,650	692,872	519,311	133,046	1,747,879
<i>Reconciliations:</i>					
Elimination of intersegment payables .....					(22,363)
Corporate and other unallocated liabilities .....					<u>2,424,520</u>
Total liabilities .....					<u>4,150,036</u>
<b>Other segment information</b>					
Share of profits and losses of:					
Associate .....	—	—	—	102	102
Depreciation and amortization					
Unallocated .....					15,850
Segment .....					—
Investment in an associate .....					2,096
Capital expenditure*					
Unallocated .....					161,234
Segment .....					—

\* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and other intangible assets.

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## ACCOUNTANTS' REPORT

<u>Six months ended June 30, 2011 (unaudited)</u>	<u>Ethylene and downstream petrochemicals</u> <i>RMB'000</i>	<u>Coal-to- chemicals</u> <i>RMB'000</i>	<u>Oil refinery</u> <i>RMB'000</i>	<u>Other products and services</u> <i>RMB'000</i>	<u>Total</u> <i>RMB'000</i>
<b>Segment revenue</b>					
Sales to external customers .....	610,901	139,247	895,357	9,682	1,655,187
Intersegment sales .....	—	—	—	473	473
<b>Total revenue</b> .....	<b>610,901</b>	<b>139,247</b>	<b>895,357</b>	<b>10,155</b>	<b>1,655,660</b>
<i>Reconciliation:</i>					
Elimination of intersegment sales .....					(473)
Revenue from continuing operations .....					1,655,187
<b>Segment results</b> .....	129,810	41,099	195,561	1,106	367,576
<i>Reconciliations:</i>					
Unallocated income .....					16,325
Unallocated expenses .....					(157,769)
Finance costs .....					(81,881)
Profit before tax .....					144,251
<b>Other segment information</b>					
Share of profits and losses of:					
Associate .....	—	—	—	215	215
Impairment losses recognized in profit or loss .....	—	—	—	975	975
Impairment losses reversed in profit or loss .....	(1,000)	—	—	—	(1,000)
Depreciation and amortization					
Unallocated .....					11,868
Segment .....					—
Capital expenditure*					
Unallocated .....					11,282
Segment .....					—

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

**Information about major customers**

The revenue derived from PetroChina Company Limited and its subsidiaries, on a group basis, amounted to approximately 63.1%, 80.1%, 58.4% and 14.0% of the total revenue, for each of the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012.



## 6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the Relevant Periods and for the six months ended June 30, 2011.

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

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Revenue</b>					
Construction contracts .....	1,796,159	4,925,031	4,890,441	1,616,140	770,220
Sale of goods .....	78,503	34,634	14,683	8,698	6,792
Rendering of services .....	9,725	16,555	131,498	30,349	84,713
	<u>1,884,387</u>	<u>4,976,220</u>	<u>5,036,622</u>	<u>1,655,187</u>	<u>861,725</u>
<b>Other income</b>					
Government grants* .....	12	792	1,209	11	1,653
Interest income .....	12,592	30,585	19,075	12,026	10,825
Rental income .....	2,682	2,801	8,056	4,012	4,056
Sales of scrap materials .....	9,235	26	9	9	2
Others .....	548	765	2,086	52	29
	<u>25,069</u>	<u>34,969</u>	<u>30,435</u>	<u>16,110</u>	<u>16,565</u>
<b>Gains</b>					
Gain on disposal of items of plant and equipments .....	17	—	123	—	—
	<u>17</u>	<u>—</u>	<u>123</u>	<u>—</u>	<u>—</u>
	<u>25,086</u>	<u>34,969</u>	<u>30,558</u>	<u>16,110</u>	<u>16,565</u>

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans .....	87,503	129,802	136,901	81,847	52,657
Interest on bills receivables .....	—	3,824	947	—	346
Interest on finance leases .....	76	78	96	34	20
	<u>87,579</u>	<u>133,704</u>	<u>137,944</u>	<u>81,881</u>	<u>53,023</u>

**8. PROFIT BEFORE TAX**

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

	Notes	Year ended December 31,			Six months ended June 30,	
		2009	2010	2011	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold		94,289	78,734	16,106	7,864	6,280
Cost of services provided		1,230,872	3,677,077	3,813,789	1,279,747	671,324
Depreciation	14,15	21,080	20,426	19,897	9,630	10,842
Research and development costs		61,460	116,749	147,579	55,747	50,156
Amortization of prepaid land lease payments	16	416	416	416	208	2,562
Amortization of intangible assets	18	4,076	3,641	4,104	2,030	2,446
(Gain)/loss on disposal of items of property, plant and equipment		(17)	393	(123)	42	57
Loss on disposal of items of other intangible assets		—	164	—	—	—
Reversal of impairment of trade and bills receivables	22	(1,100)	(1,246)	(1,000)	(1,000)	—
Reversal of impairment of an investment in an associate	19	(300)	—	—	—	—
(Reversal of provision)/provision for inventories	20	(3,532)	637	(599)	975	—
Fair value losses:						
Derivative instruments—transaction not qualifying as hedges		—	746	5,764	1,615	—
Minimum lease payments under operating leases		5,314	6,067	8,242	3,273	5,766
Auditors' remuneration		2,568	1,698	5,397	1,812	3,097
Foreign exchange differences, net		(2,334)	(1,560)	(8,571)	(870)	3,119
Employee benefits expense (including directors' remuneration) (note 9):						
Wages and salaries		171,730	217,145	294,384	128,129	167,888
Retirement benefit scheme contributions		13,125	19,388	26,796	12,438	14,788
		<u>184,855</u>	<u>236,533</u>	<u>321,180</u>	<u>140,567</u>	<u>182,676</u>

**9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION**

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kinds	1,572	1,914	2,959	1,462	1,222
Performance related bonuses	281	585	585	585	435
Retirement benefit scheme contributions	25	28	51	20	32
Total	<u>1,878</u>	<u>2,527</u>	<u>3,595</u>	<u>2,067</u>	<u>1,689</u>

## (a) Independent non-executive Directors

Mr. Choy Sze Chung, Mr. Liu Ji and Mr. Wu Jianmin were appointed as the independent non-executive directors of the Company on November 30, 2012. There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods and the six months ended June 30, 2011.

## (b) Executive directors and independent non-executive directors

	Fees <u>RMB'000</u>	Salaries, allowances and benefits in kind <u>RMB'000</u>	Performance related bonuses <u>RMB'000</u>	Retirement benefit scheme contributions <u>RMB'000</u>	Total remuneration <u>RMB'000</u>
<b>Year ended December 31, 2009</b>					
— Mr. Hua Bangsong .....	—	857	143	—	1,000
— Mr. Liu Haijun .....	—	715	138	25	878
	—	1,572	281	25	1,878
	—	—	—	—	—
<b>Year ended December 31, 2010</b>					
— Mr. Hua Bangsong .....	—	1,029	171	—	1,200
— Mr. Liu Haijun .....	—	885	414	28	1,327
	—	1,914	585	28	2,527
	—	—	—	—	—
<b>Year ended December 31, 2011</b>					
— Mr. Hua Bangsong .....	—	716	171	—	887
— Mr. Liu Haijun .....	—	1,211	414	30	1,655
— Mr. Chen Wenfeng .....	—	1,032	—	21	1,053
— Mr. Zhao Ziming .....	—	—	—	—	—
	—	2,959	585	51	3,595
	—	—	—	—	—
<b>Six months ended June 30, 2011 (unaudited)</b>					
— Mr. Hua Bangsong .....	—	716	171	—	887
— Mr. Liu Haijun .....	—	591	414	15	1,020
— Mr. Chen Wenfeng .....	—	155	—	5	160
— Mr. Zhao Ziming .....	—	—	—	—	—
	—	1,462	585	20	2,067
	—	—	—	—	—
<b>Six months ended June 30, 2012</b>					
— Mr. Hua Bangsong .....	—	—	—	—	—
— Mr. Liu Haijun .....	—	666	300	16	982
— Mr. Chen Wenfeng .....	—	556	135	16	707
	—	1,222	435	32	1,689

## (c) Five highest paid employees

The five highest paid employees of the Group during the Relevant Periods and the six months ended June 30, 2011 are analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011 (Unaudited)	2012
Directors .....	2	2	1	2	2
Non-director employees .....	3	3	4	3	3
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the directors are set out in above.

Details of the remuneration of the non-director, highest paid employees for the Relevant Periods and for the six months ended June 30, 2011 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (Unaudited)	2012 RMB'000
Salaries, allowances and benefits in kinds .....	2,488	2,790	4,451	2,002	2,152
Retirement benefit scheme contributions .....	<u>77</u>	<u>84</u>	<u>120</u>	<u>44</u>	<u>48</u>
	<u>2,565</u>	<u>2,874</u>	<u>4,571</u>	<u>2,046</u>	<u>2,200</u>

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

	Year ended December 31,			Six months ended June 30,	
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2011 RMB'000 (Unaudited)	2012 RMB'000
Nil to RMB1,000,000 .....	3	2	—	—	—
RMB1,000,001 to RMB2,000,000 .....	<u>—</u>	<u>1</u>	<u>4</u>	<u>—</u>	<u>—</u>
	<u>3</u>	<u>3</u>	<u>4</u>	<u>—</u>	<u>—</u>

During the Relevant Periods and the six months ended June 30, 2011, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong and Singapore as the Group did not have

any assessable income currently arising in Hong Kong and Singapore during the Relevant Periods and the six months ended June 30, 2011.

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current—Mainland China:					
Charge for the year/period . . . . .	47,905	119,512	148,270	20,472	(8,624)
Deferred (note 29) . . . . .	17,404	63,127	57,234	15,064	2,858
Total tax charge/(credit) for the year/period . . . . .	<u>65,309</u>	<u>182,639</u>	<u>205,504</u>	<u>35,536</u>	<u>(5,766)</u>

The New PRC Corporate Income Tax Law (effective from January 1, 2008 onwards) introduced a wide range of changes including, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Enterprises previously entitled to certain preferential tax rates will gradually move to the applicable corporate tax rate of 25% within five years for 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onwards.

Wison Engineering also qualified as a “High and New Technology Enterprise” in 2008 and was entitled to a preferential corporate income tax (“CIT”) rate of 15% for three years successively from 2008 to 2010. Hence, Wison Engineering was subject to CIT at a rate of 15% in 2009 and 2010.

In accordance with the requirements of the tax regulations in the PRC, Wison Engineering submitted its application to renew its “High and New Technology Enterprise” status for another three years ending December 31, 2013 and obtained the certification on October 20, 2011. Therefore, Wison Engineering was subject to CIT at rate of 15% for the year ended December 31, 2011 and the six months ended June 30, 2012.

Wison Yangzhou was qualified as a “production enterprise” and was entitled to full exemption from CIT for the first and second profitable years (after offsetting accumulated tax losses, which could be carried forward for utilization for a maximum period of five years), and a further 50% exemption for the three succeeding years commencing from 2008. Wison Yangzhou’s first profitable year was 2006. Wison Yangzhou was entitled to a preferential tax rate of 12.5% from 2008 to 2010 and 25% from 2011 onwards.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods and for the six months ended June 30, 2011 as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before tax	295,252	818,659	795,217	144,251	(3,522)
At the statutory income tax rates	73,813	204,665	198,804	36,063	(880)
Tax at lower tax rates	(30,341)	(84,945)	(82,338)	(15,871)	(625)
Tax losses not recognized	2,378	4,715	11,492	3,049	2,796
Income not subject to tax	—	—	—	(336)	—
Withholding taxes on undistributed profits of the subsidiaries in Mainland China	20,723	62,953	59,723	11,841	1,304
Capital gain tax	—	—	14,831	—	—
Additional tax deduction	(2,627)	(6,641)	—	—	(9,687)
Expenses not deductible for tax	1,363	1,892	2,992	790	1,326
Tax charge for the year/period	65,309	182,639	205,504	35,536	(5,766)

Pursuant to the new tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. On February 22, 2008, Caishui (2008) No. 1 was promulgated by the tax authorities of the PRC to specify that dividends declared and remitted out of the PRC from the undistributed profits as at December 31, 2007 are exempted from withholding tax. The applicable rate for the Group is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

## 11. DIVIDENDS

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interim	—	—	710,000	—	256,556
Proposed final	—	—	—	—	—
	—	—	710,000	—	256,556

The Company declared interim dividends to Wison Holding, its then shareholder, during the year ended December 31, 2011 and the six months ended June 30, 2012 of RMB710,000,000 and RMB256,556,000, respectively. The rates of dividends and number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

## 12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Relevant Periods and six months ended June 30, 2011 as disclosed in note 2 above.



**13. PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The profit/(loss) attributable to owners of the parent for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 amounted to (RMB4,058,000), (RMB5,750,000), RMB735,390,000, (RMB2,296,000) and RMB550,715,000, which has been dealt with in the financial statements of the Company.

**14. PROPERTY, PLANT AND EQUIPMENT****Group**

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>June 30, 2012</b>							
At December 31, 2011 and January 1, 2012:							
Cost .....	248,309	5,965	16,637	24,511	43,178	211,011	549,611
Accumulated depreciation .....	(54,250)	(550)	(9,351)	(15,709)	(26,049)	—	(105,909)
Net carrying amount .....	<u>194,059</u>	<u>5,415</u>	<u>7,286</u>	<u>8,802</u>	<u>17,129</u>	<u>211,011</u>	<u>443,702</u>
At January 1, 2012, net of accumulated depreciation ...							
Additions .....	—	831	39	5,108	2,814	115,186	123,978
Depreciation provided during the period .....	(4,166)	(1,011)	(695)	(1,428)	(3,252)	—	(10,552)
Disposals .....	—	—	—	(33)	(127)	—	(160)
At June 30, 2012, net of accumulated depreciation ...	<u>189,893</u>	<u>5,235</u>	<u>6,630</u>	<u>12,449</u>	<u>16,564</u>	<u>326,197</u>	<u>556,968</u>
At June 30, 2012:							
Cost .....	248,309	6,796	16,676	29,500	45,484	326,197	672,962
Accumulated depreciation .....	(58,416)	(1,561)	(10,046)	(17,051)	(28,920)	—	(115,994)
Net carrying amount .....	<u>189,893</u>	<u>5,235</u>	<u>6,630</u>	<u>12,449</u>	<u>16,564</u>	<u>326,197</u>	<u>556,968</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>December 31, 2011</b>							
At December 31, 2010 and January 1, 2011:							
Cost .....	248,309	2,694	18,085	23,930	37,431	13,348	343,797
Accumulated depreciation .....	(45,957)	(2,223)	(9,567)	(14,667)	(21,070)	—	(93,484)
Net carrying amount .....	<u>202,352</u>	<u>471</u>	<u>8,518</u>	<u>9,263</u>	<u>16,361</u>	<u>13,348</u>	<u>250,313</u>
At January 1, 2011, net of accumulated depreciation ...							
Cost .....	202,352	471	8,518	9,263	16,361	13,348	250,313
Additions .....	—	5,371	234	2,832	7,231	197,663	213,331
Depreciation provided during the year .....	(8,293)	(427)	(1,461)	(2,986)	(6,149)	—	(19,316)
Disposals .....	—	—	(5)	(307)	(314)	—	(626)
At December 31, 2011, net of accumulated depreciation ...	<u>194,059</u>	<u>5,415</u>	<u>7,286</u>	<u>8,802</u>	<u>17,129</u>	<u>211,011</u>	<u>443,702</u>
At December 31, 2011:							
Cost .....	248,309	5,965	16,637	24,511	43,178	211,011	549,611
Accumulated depreciation .....	(54,250)	(550)	(9,351)	(15,709)	(26,049)	—	(105,909)
Net carrying amount .....	<u>194,059</u>	<u>5,415</u>	<u>7,286</u>	<u>8,802</u>	<u>17,129</u>	<u>211,011</u>	<u>443,702</u>
<b>December 31, 2010</b>							
	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At December 31, 2009 and January 1, 2010:							
Cost .....	248,306	2,694	19,849	20,835	36,386	—	328,070
Accumulated depreciation .....	(38,001)	(1,266)	(8,929)	(12,276)	(17,915)	—	(78,387)
Net carrying amount .....	<u>210,305</u>	<u>1,428</u>	<u>10,920</u>	<u>8,559</u>	<u>18,471</u>	<u>—</u>	<u>249,683</u>
At January 1, 2010, net of accumulated depreciation .....							
Cost .....	210,305	1,428	10,920	8,559	18,471	—	249,683
Additions .....	3	—	70	4,338	4,362	13,348	22,121
Depreciation provided during the year .....	(7,956)	(957)	(1,753)	(3,372)	(5,807)	—	(19,845)
Disposals .....	—	—	(719)	(262)	(665)	—	(1,646)
At December 31, 2010, net of accumulated depreciation .....	<u>202,352</u>	<u>471</u>	<u>8,518</u>	<u>9,263</u>	<u>16,361</u>	<u>13,348</u>	<u>250,313</u>
At December 31, 2010:							
Cost .....	248,309	2,694	18,085	23,930	37,431	13,348	343,797
Accumulated depreciation .....	(45,957)	(2,223)	(9,567)	(14,667)	(21,070)	—	(93,484)
Net carrying amount .....	<u>202,352</u>	<u>471</u>	<u>8,518</u>	<u>9,263</u>	<u>16,361</u>	<u>13,348</u>	<u>250,313</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

December 31, 2009	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2008 and January 1, 2009:							
Cost . . . . .	248,324	2,185	19,800	20,772	32,032	—	323,113
Accumulated depreciation . . . . .	(29,256)	(663)	(7,088)	(9,110)	(12,764)	—	(58,881)
Net carrying amount . . . . .	<u>219,068</u>	<u>1,522</u>	<u>12,712</u>	<u>11,662</u>	<u>19,268</u>	<u>—</u>	<u>264,232</u>
At January 1, 2009, net of accumulated depreciation . . . . .	219,068	1,522	12,712	11,662	19,268	—	264,232
Additions . . . . .	52	509	305	1,082	5,679	—	7,627
Depreciation provided during the year . . . . .	(8,758)	(603)	(1,865)	(3,639)	(5,634)	—	(20,499)
Disposals . . . . .	(57)	—	(232)	(546)	(842)	—	(1,677)
At December 31, 2009, net of accumulated depreciation . . . . .	<u>210,305</u>	<u>1,428</u>	<u>10,920</u>	<u>8,559</u>	<u>18,471</u>	<u>—</u>	<u>249,683</u>
At December 31, 2009:							
Cost . . . . .	248,306	2,694	19,849	20,835	36,386	—	328,070
Accumulated depreciation . . . . .	(38,001)	(1,266)	(8,929)	(12,276)	(17,915)	—	(78,387)
Net carrying amount . . . . .	<u>210,305</u>	<u>1,428</u>	<u>10,920</u>	<u>8,559</u>	<u>18,471</u>	<u>—</u>	<u>249,683</u>

At December 31, 2009, 2010 and 2011 and June 30, 2012, certain of the Group's buildings with net book value of approximately RMB210,212,000, RMB151,148,000, RMB193,443,000 and RMB172,098,000 were pledged to secure general banking facilities granted to the Group (note 27). The net book value of the Group's property, plant and equipment held under finance leases included in the total amounts of office equipment at December 31, 2009, 2010 and 2011 and June 30, 2012 amounted to RMB1,331,000, RMB1,193,000, RMB1,304,000 and RMB1,085,000, respectively.

The Group's buildings are situated in Mainland China and held under long term leases.

## Company

<u>December 31, 2010</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2009 and January 1, 2010:						
Cost .....	—	70	—	—	60	130
Accumulated depreciation .....	—	(70)	—	—	(52)	(122)
Net carrying amount .....	—	—	—	—	8	8
At January 1, 2010, net of accumulated depreciation .....	—	—	—	—	8	8
Additions .....	—	—	—	—	—	—
Depreciation provided during the year .....	—	—	—	—	(8)	(8)
At December 31, 2010, net of accumulated depreciation .....	—	—	—	—	—	—
At December 31, 2010 and 2011, and June 30, 2012:						
Cost .....	—	70	—	—	60	130
Accumulated depreciation .....	—	(70)	—	—	(60)	(130)
Net carrying amount .....	—	—	—	—	—	—
<u>December 31, 2009</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2008 and January 1, 2009:						
Cost .....	—	70	—	—	60	130
Accumulated depreciation .....	—	(64)	—	—	(40)	(104)
Net carrying amount .....	—	6	—	—	20	26
At January 1, 2009, net of accumulated depreciation .....	—	6	—	—	20	26
Additions .....	—	—	—	—	—	—
Depreciation provided during the year .....	—	(6)	—	—	(12)	(18)
At December 31, 2009, net of accumulated depreciation .....	—	—	—	—	8	8
At December 31, 2009:						
Cost .....	—	70	—	—	60	130
Accumulated depreciation .....	—	(70)	—	—	(52)	(122)
Net carrying amount .....	—	—	—	—	8	8

## 15. INVESTMENT PROPERTIES

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amount at January 1 .....	17,620	17,039	16,458	15,877
Depreciation .....	(581)	(581)	(581)	(290)
Carrying amount at December 31/June 30 .....	<u>17,039</u>	<u>16,458</u>	<u>15,877</u>	<u>15,587</u>

The fair values of the Group's investment properties amounted to RMB24,631,000, RMB28,904,000, RMB34,043,000 and RMB36,042,000, based on valuations as at December 31, 2009, 2010 and 2011 and June 30, 2012 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis.

The Group's investment property is under medium term leases situated in Mainland China and is leased to a third party under operating leases, further summary details of which are included in note 35 to the Financial Information.

## 16. PREPAID LAND LEASE PAYMENTS

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amount at January 1, .....	16,034	15,618	15,202	14,786
Additions during the year/period .....	—	—	—	181,656
Amortized during the year/period .....	(416)	(416)	(416)	(2,562)
Carrying amount at end of the year/period .....	15,618	15,202	14,786	193,880
Current portion included in prepayments, deposits and other receivables .....	(416)	(416)	(416)	(4,453)
Non-current portion .....	<u>15,202</u>	<u>14,786</u>	<u>14,370</u>	<u>189,427</u>

The carrying amount of the Group's prepaid land lease payments represents land use rights in Mainland China with land held under the following lease terms:

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Long term lease (≥50 years) .....	15,202	14,786	14,370	14,162
Medium term lease (<50 years) .....	—	—	—	175,265
	<u>15,202</u>	<u>14,786</u>	<u>14,370</u>	<u>189,427</u>

At December 31, 2009, 2010 and 2011 and June 30, 2012, certain of the Group's leasehold interests on land with the carrying amount of approximately RMB15,618,000, RMB12,346,000, RMB14,786,000 and RMB14,579,000 were pledged to secure banking facilities granted to the Group (note 27).

## 17. GOODWILL

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year/period and at the end of the year/period .....	<u>15,752</u>	<u>15,752</u>	<u>15,752</u>	<u>15,752</u>

The carrying amount of goodwill of the Group arose from the acquisition of the business of Henan Chemical Industry Design Institute during the year ended December 31, 2007.

The recoverable amount of the goodwill is determined from a value in use calculation using cash flow forecast based on financial budgets. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the period. The directors estimate the discount rates of 20% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The growth rates of 20% are based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for 2012 and extrapolates cash flow for the following five years based on an estimated average industry growth rate. The rate does not exceed the average long-term growth rate for the relevant markets.

Based on the above, the directors consider that there is no impairment of goodwill.

## 18. OTHER INTANGIBLE ASSETS

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Software</u>				
At January 1				
Cost .....	19,570	21,218	23,506	30,348
Accumulated amortization .....	(7,142)	(11,218)	(14,072)	(18,176)
Net carrying amount .....	<u>12,428</u>	<u>10,000</u>	<u>9,434</u>	<u>12,172</u>
Cost at January 1, net of accumulated amortization .....				
Additions .....	1,648	3,239	6,842	3,434
Amortization provided during the year/period .....	(4,076)	(3,641)	(4,104)	(2,446)
Disposals .....	—	(164)	—	—
At the end of the year/period, net of accumulated amortization .....	<u>10,000</u>	<u>9,434</u>	<u>12,172</u>	<u>13,160</u>
At the end of the year/period				
Cost .....	21,218	23,506	30,348	33,782
Accumulated amortization .....	(11,218)	(14,072)	(18,176)	(20,622)
Net carrying amount .....	<u>10,000</u>	<u>9,434</u>	<u>12,172</u>	<u>13,160</u>



## 19. INVESTMENT IN AN ASSOCIATE

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Unlisted shares, at cost .....	—	—	—	—
Share of net assets .....	1,018	1,376	1,994	2,096
	<u>1,018</u>	<u>1,376</u>	<u>1,994</u>	<u>2,096</u>

Investment in an associate as at December 31, 2009, 2010 and 2011 and June 30, 2012 represents the Group's 30% equity interest in 河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd. "Henan Chuangsite")\*, a company established in the PRC.

In May 2009, the other equity holders of Henan Chuangsite contributed additional capital of RMB2,000,000 to increase Henan Chuangsite's paid up capital to RMB3,000,000 from RMB1,000,000. Consequently, the Group's effective equity interest in Henan Chuangsite decreased from 30% to 10% in May 2009.

In December 2009, the Group acquired a 20% equity interest from the other equity holder of Henan Chuangsite (also a key member of management of the Group) for a consideration of RMB600,000 (note 32(a)(v)) and increased the Group's equity interest in Henan Chuangsite to 30%.

The principal activity of Henan Chuangsite is the provision of supervisory services for construction projects. The Group's shareholding in Henan Chuangsite is held through a wholly owned subsidiary of the Company.

\* The statutory financial statements of Henan Chuangsite for the years ended December 31, 2009, 2010 and 2011 were audited by 河南世紀聯合會計師事務所 ("Henan Shi Ji Lian He Certified Public Accountants Co., Ltd."), a certified public accounting firm registered in the PRC.

The following table illustrates the summarized financial information of Henan Chuangsite, the Group's associate extracted from its management accounts:

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Assets .....	3,982	5,313	7,341	7,773
Liabilities .....	587	724	696	786

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u>
Revenue .....	2,127	4,666	10,579	2,296	1,937
Profit for the year/period .....	708	1,194	2,056	715	341

## 20. INVENTORIES

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction materials, net .....	10,147	102,036	34,758	44,000
Raw materials, gross .....	35,575	8,082	7,150	8,204
Work in progress, gross .....	303	—	1,352	6,271
Finished goods, gross .....	5,821	6,926	3,590	611
	<u>51,846</u>	<u>117,044</u>	<u>46,850</u>	<u>59,086</u>

The movements in the provision for inventory provision are as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1 .....	7,551	3,819	3,155	2,556
Write back .....	(200)	(1,301)	—	—
(Reversal of provision)/provision for the year/period (note 8) ...	(3,532)	637	(599)	—
At December 31/June 30 .....	<u>3,819</u>	<u>3,155</u>	<u>2,556</u>	<u>2,556</u>

## 21. CONSTRUCTION CONTRACTS

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross amounts due from contract customers .....	352,749	468,032	2,096,204	2,133,389
Gross amounts due to contract customers .....	(703,870)	(414,278)	(562)	(336,354)
	<u>(351,121)</u>	<u>53,754</u>	<u>2,095,642</u>	<u>1,797,035</u>

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract costs incurred plus recognized profits				
less recognized losses to date .....	5,023,399	10,486,588	12,341,386	13,295,146
Less: Progress billings .....	(5,374,520)	(10,432,834)	(10,245,744)	(11,498,111)
	<u>(351,121)</u>	<u>53,754</u>	<u>2,095,642</u>	<u>1,797,035</u>

As at December 31, 2009, 2010, and 2011 and June 30, 2012, amounted to RMB399,301,000, RMB728,000,000, RMB185,478,000, RMB277,901,000 of advances to suppliers were included in the gross amount due from/(to) contract customers, respectively.

As at December 31, 2009, 2010, 2011 and June 30, 2012, RMB6,734,000, RMB32,480,000, RMB408,050,000 and RMB429,772,000 of gross amounts due from contract customers will be transferred to trade receivable when the Group bills the customers and such trade receivables will be retention money in nature and classified as non-current trade receivable from the customers.

The gross amounts due from/(to) contract customers for contract work include balance with fellow subsidiaries and a related company of the Company as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Fellow subsidiary</b>				
惠生（南京）清潔能源股份有限公司 (Wison (Nanjing) Clean Energy Co., Ltd.) (formerly known as 惠生（南京）化工有限公司 (Wison (Nanjing) Chemical Co., Ltd.) (“Wison Nanjing”))	17,405	—	3,893	20,077
舟山惠生海洋工程有限公司 (Zhoushan Wison Offshore & Marine Co., Ltd. “Zhoushan Wison”)	—	—	—	66,343
<b>Related company</b>				
陝西長青能源化工有限公司 (Shaanxi Changqing Energy & Chemical Co., Ltd. “Shaanxi Changqing”)*	—	—	429,504	556,842

\* Shaanxi Changqing is indirectly owned as to 25% by Mr. Hua Bangsong, a director and beneficial shareholder of the Company.

## 22. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit where payment in advance is normally required. Trade receivables are non-interest-bearing and on credit terms of a period of 90 days or respective contracts' retention period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by management.

Trade and bills receivables are unsecured and non-interest-bearing.

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

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Trade and bills receivables:</b>				
Less than 3 months	428,634	592,829	72,838	47,762
4 to 6 months	86,736	12,118	14,555	16,112
7 to 12 months	6,626	42,086	26,703	36,665
Over 1 year	108,578	155,055	49,679	56,750
	630,574	802,088	163,775	157,289

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

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	5,457	4,357	1,765	765
Write off	—	(1,346)	—	—
Reversal of impairment for the year/period (note 8)	(1,100)	(1,246)	(1,000)	—
At December 31/June 30	4,357	1,765	765	765

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

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired .....	618,521	712,036	82,869	60,002
Less than 3 months .....	3,040	2,118	14,555	16,113
4 to 12 months .....	6,626	42,086	26,703	36,166
Over 1 year .....	2,387	45,848	39,648	45,008
	<u>630,574</u>	<u>802,088</u>	<u>163,775</u>	<u>157,289</u>

The amounts due from fellow subsidiaries and a related company included in the trade receivables are as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiaries				
Wison Nanjing .....	138,926	14,751	—	9,491
鄂爾多斯市國泰化工有限公司 (Erdos Guotai Chemical Co., Ltd. "Erdos Guotai") .....	89,357	49,357	—	—
	<u>228,283</u>	<u>64,108</u>	<u>—</u>	<u>9,491</u>
Related company				
Shaanxi Changqing .....	—	—	52,058	500

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the 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 Group does not hold any collateral or other credit enhancements over these balances.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### Group

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current portion of prepaid land lease payments .....	416	416	416	4,453
Prepayments .....	19,103	19,971	211,393	69,006
Deposits .....	5,090	3,904	8,413	8,343
Other receivables, net of provision for impairment .....	36,973	42,498	27,994	100,432
	<u>61,582</u>	<u>66,789</u>	<u>248,216</u>	<u>182,234</u>
Less: non-current portion .....	(17,637)	(17,637)	(167,834)	(20,000)
	<u>43,945</u>	<u>49,152</u>	<u>80,382</u>	<u>162,234</u>

The amounts due from a fellow subsidiary and a related company included in the other receivables are as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fellow subsidiary Wison Nanjing .....	—	—	50	—
Related company Shaanxi Changqing .....	—	—	3,526	—

### Company

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments .....	4	1,567	9,201	9,823
Deposits .....	119	116	117	—
	<u>123</u>	<u>1,683</u>	<u>9,318</u>	<u>9,823</u>

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The fair values of other receivables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts, due to their relatively short maturity term.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

### Group

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances .....	456,109	654,918	598,372	756,468
Time deposits with original maturity of less than three months .....	35,000	228,738	867	9,952
Time deposits with original maturity of more than three months .....	842,857	1,227,198	548,914	523,363
	<u>1,333,966</u>	<u>2,110,854</u>	<u>1,148,153</u>	<u>1,289,783</u>
Less: Pledged bank balances and time deposits .....	(898,344)	(1,568,673)	(508,183)	(718,769)
Unpledged cash and bank balances .....	<u>435,622</u>	<u>542,181</u>	<u>639,970</u>	<u>571,014</u>
Unpledged time deposits with original maturity of less than three months .....	35,000	—	—	—
Unpledged time deposits with original maturity of more than three months .....	—	—	130,000	132,145
Cash and cash equivalents .....	<u>400,622</u>	<u>542,181</u>	<u>509,970</u>	<u>438,869</u>
Unpledged cash and bank balances .....	<u>435,622</u>	<u>542,181</u>	<u>639,970</u>	<u>571,014</u>

At December 31, 2009, 2010 and 2011 and June 30, 2012, bank deposits of RMB158,504,000, RMB148,060,000, RMB235,291,000 and RMB382,849,000 were placed as guarantee deposits for performance of certain construction contracts and for the tendering process, respectively.

At December 31, 2009 and June 30, 2012, bank deposits of RMB5,568,000 and RMB11,250,000 were pledged to a bank as security for bill facilities granted by the bank, respectively.

At December 31, 2009, 2010 and 2011 and June 30, 2012, bank deposits of RMB5,722,000, RMB11,803,000, RMB3,967,000 and RMB55,810,000 were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment, respectively.

At December 31, 2009, 2010 and 2011 and June 30, 2012, bank deposits of RMB596,750,000, RMB838,960,000, RMB268,925,000 and RMB268,860,000 were pledged as security for bank loans, respectively (note 27).

At December 31, 2009 and 2010, bank deposits of RMB131,800,000 and RMB569,850,000 were pledged as security for a bank loan granted to Wison Holding, respectively (note 32).

At December 31, 2009, 2010 and 2011 and June 30, 2012, the cash and bank balances of the Group denominated in RMB amounted to RMB1,329,038,000, RMB2,106,242,000, RMB1,076,082,000 and RMB1,213,871,000, 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 Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

## Company

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances .....	1,336	81	436	19,820

## 25. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year .....	519,813	885,906	1,345,029	1,068,254
1 to 2 years .....	57,624	120,744	104,378	188,200
2 to 3 years .....	11,482	24,507	47,740	110,827
Over 3 years .....	—	—	11,000	20,243
	588,919	1,031,157	1,508,147	1,387,524



The amounts due to a related company included in the trade payables are as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	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") .....	—	—	1,008	822

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

## 26. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS

### Group

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals .....	2,767	2,770	20,721	19,682
Advance from customers .....	1,524	898	42	1,638
Other payables .....	129,369	248,931	154,449	116,161
	<u>133,660</u>	<u>252,599</u>	<u>175,212</u>	<u>137,481</u>

### Company

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals .....	474	—	12,633	11,446
	<u>474</u>	<u>—</u>	<u>12,633</u>	<u>11,446</u>

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>				
Bank loans repayable within one year				
— secured	1,773,002	2,492,287	1,161,146	1,823,116
— unsecured	50,000	100,000	230,000	400,000
	1,823,002	2,592,287	1,391,146	2,223,116
Finance lease payables (note 28)	345	396	458	358
	<u>1,823,347</u>	<u>2,592,683</u>	<u>1,391,604</u>	<u>2,223,474</u>
<b>Non-current</b>				
Bank loans repayable in the second year				
— secured	233,849	90,000	200,000	—
Bank loans repayable in the third to fifth year				
— secured	—	200,000	—	—
	233,849	290,000	200,000	—
Finance lease payables (note 28)	953	715	731	551
	<u>234,802</u>	<u>290,715</u>	<u>200,731</u>	<u>551</u>
	<u>2,058,149</u>	<u>2,883,398</u>	<u>1,592,335</u>	<u>2,224,025</u>

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

	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
— US\$ denominated	<u>80,965</u>	<u>97,515</u>	<u>40,000</u>	<u>40,000</u>

The US\$ denominated loans bear interest at floating rates pegged to London Inter Bank Offered Rate or the Hong Kong Inter Bank Offered Rate, except that a bank loan of US\$31,500,000 and US\$31,680,000 denominated loans bore fixed rates of 1.83% and 3.33% at December 31, 2009 and 2010. The remaining bank and other borrowings balances at December 31, 2009, 2010 and 2011 and June 30, 2012, are denominated in RMB and bear interest at floating rates except for loans of RMB670,000,000, RMB20,000,000, RMB235,300,000 and RMB571,000,000 at December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, which bear interest at fixed rates.

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

Year ended December 31, 2009	1.03% to 6.11%
Year ended December 31, 2010	1.03% to 6.58%
Year ended December 31, 2011	0.99% to 7.22%
Six months ended June 30, 2012	<u>3.74% to 7.92%</u>

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

	Notes	December 31,			June 30,
		2009	2010	2011	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings .....	14	210,212	151,148	193,443	172,098
Leasehold interests on land .....	16	15,618	12,346	14,786	14,579
Time deposits .....	24	<u>596,750</u>	<u>838,960</u>	<u>268,925</u>	<u>268,860</u>

During the year ended December 31, 2009, Wison Nanjing executed a guarantee to a bank for a loan granted to the Group of RMB100,000,000 at nil consideration. The guarantee was released on March 16, 2010 (note 32(b)(vii)).

During the six months ended June 30, 2012, Wison Investment executed a guarantee to a bank for a loan granted to the Group of RMB100,000,000 at nil consideration. The guarantee was subsequently released (note 32(b)(x)).

During the six months ended June 30, 2012, Wison Investment executed a guarantee to a bank for a bank facility to the Group of RMB700,000,000 at nil consideration. As at June 30, 2012, the loan was drawn down to the extent of RMB400,000,000. The guarantee was subsequently released (note 32(b)(x)).

In addition, certain banks have granted credit facilities to the Group for which the receivables from construction contracts with 中國石油天然氣股份有限公司撫順石化分公司 (“PetroChina Fushun Petrochemical Company”), 中國石油四川石化有限責任公司 (“PetroChina Sichuan Petrochemical Co., Ltd.”) and other customers are pledged as security (note 22). As at December 31, 2009, 2010 and 2011 and June 30, 2012, the bank loans were drawn down to the extent of RMB1,251,970,000, RMB1,888,541,000, RMB886,200,000 and RMB1,146,000,000, respectively.

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

## 28. FINANCE LEASE PAYABLES

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the Group leased certain of its office machinery for its operation requirements. These leases are classified as finance leases.

At December 31, 2009, 2010 and 2011 and June 30, 2012, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments December 31, 2009	Present value of payments December 31, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts payable:		
Within one year .....	412	345
In the second year .....	412	361
In the third to fifth years, inclusive .....	636	592
Total minimum finance lease payments .....	1,460	1,298
Future finance charges .....	(162)	
Total net finance lease payables .....	1,298	
Portion classified as current liabilities (note 27) .....	(345)	
Non-current portion .....	953	
	Minimum lease payments December 31, 2010	Present value of payments December 31, 2010
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts payable:		
Within one year .....	454	396
In the second year .....	398	366
In the third to fifth years, inclusive .....	366	349
Total minimum finance lease payments .....	1,218	1,111
Future finance charges .....	(107)	
Total net finance lease payables .....	1,111	
Portion classified as current liabilities (note 27) .....	(396)	
Non-current portion .....	715	
	Minimum lease payments December 31, 2011	Present value of payments December 31, 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts payable:		
Within one year .....	557	498
In the second year .....	328	293
In the third to fifth years, inclusive .....	425	398
Total minimum finance lease payments .....	1,310	1,189
Future finance charges .....	(121)	
Total net finance lease payables .....	1,189	
Portion classified as current liabilities (note 27) .....	(458)	
Non-current portion .....	731	
	Minimum lease payments June 30, 2012	Present value of payments June 30, 2012
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts payable:		
Within one year .....	416	371
In the second year .....	295	269
In the third to fifth years, inclusive .....	285	269
Total minimum finance lease payments .....	996	909
Future finance charges .....	(87)	
Total net finance lease payables .....	909	
Portion classified as current liabilities (note 27) .....	(358)	
Non-current portion .....	551	

**29. DEFERRED TAX ASSETS AND LIABILITIES**

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

***Deferred tax assets***

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, .....	3,306	6,625	6,451	8,940
Deferred tax credited/(charged) to profit or loss during the year/ period .....	3,319	(174)	2,489	(1,554)
Gross deferred tax assets at the end of year/period .....	<u>6,625</u>	<u>6,451</u>	<u>8,940</u>	<u>7,386</u>

***Deferred tax liabilities***

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, .....	15,841	28,351	91,304	63,255
Realized during the year/period .....	(8,213)	—	(87,772)	(64,218)
Deferred tax charged to profit or loss during the year/period ....	20,723	62,953	59,723	1,304
Gross deferred tax liabilities at the end of year/period .....	<u>28,351</u>	<u>91,304</u>	<u>63,255</u>	<u>341</u>

The Group's deferred tax assets and deferred tax liabilities are attributed to the following items, which are reflected in the statements of financial position:

***Deferred tax assets***

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Provision for impairment of assets .....	2,060	1,246	520	514
Accruals and payables .....	4,554	5,205	8,420	3,577
Tax losses .....	—	—	—	3,295
Pre-operating expenses .....	11	—	—	—
Deferred tax assets at year/period end .....	<u>6,625</u>	<u>6,451</u>	<u>8,940</u>	<u>7,386</u>

***Deferred tax liabilities***

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Withholding taxes arising from undistributed profits of the PRC subsidiaries .....	28,351	91,304	63,255	341
Deferred tax liabilities at year/period end .....	<u>28,351</u>	<u>91,304</u>	<u>63,255</u>	<u>341</u>

Deferred tax assets have not been recognized in respect of the following items:

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Tax losses .....	<u>2,378</u>	<u>4,715</u>	<u>11,492</u>	<u>2,796</u>

### 30. GOVERNMENT GRANTS

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amount at beginning of the year/period .....	—	—	—	—
Received during the year/period .....	12	792	1,209	3,903
Released to profit or loss (note 6) .....	(12)	(792)	(1,209)	(1,653)
Carrying amount at end of the year/period .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,250</u>
Non-current .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,250</u>

The Group received government grants for the purpose of using the energy-saving materials in the newly constructed office buildings.

### 31. ISSUED CAPITAL AND RESERVES

#### (a) Shares

	December 31,			June 30,
	2009	2010	2011	2012
Number of ordinary shares				
Authorized:				
Ordinary shares of HK\$0.1 each .....	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Issued:				
Ordinary shares of HK\$0.1 each .....	<u>1,000</u>	<u>1,000</u>	<u>10,000</u>	<u>10,000</u>
	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Authorized:				
Ordinary shares of HK\$0.1 each .....	319	319	319	319
Issued:				
Ordinary shares of HK\$0.1 each .....	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>

The Company was incorporated with an authorized share capital of HK\$300,000 divided into 3,000,000 shares of HK\$0.1 each.

On May 16, 2011, the Company issued 9,000 ordinary shares of HK\$0.1 each to Wison Holding pursuant to the Group Reorganization for the acquisition of the entire issued share capital of Wison Technology.



## (b) Statutory surplus reserve ("SSR") and expansion reserve

## Group

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

In accordance with the Company Law of the PRC and the articles of association, Wison Yangzhou is required to transfer at least 10% of its profit after tax to its statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC and the articles of association of Wison Yangzhou, this reserve may be capitalized as the registered capital.

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

## (c) Reserves of the Company

	Retained profits/ (Accumulated losses)	Total
	RMB'000	RMB'000
At January 1, 2009 .....	(37,490)	(37,490)
Net loss and total comprehensive loss for the year .....	(4,058)	(4,058)
At December 31, 2009 and January 1, 2010 .....	(41,548)	(41,548)
Net loss and total comprehensive loss for the year .....	(5,750)	(5,750)
At December 31, 2010 and January 1, 2011 .....	(47,298)	(47,298)
Net profit and total comprehensive income for the year .....	735,390	735,390
Dividend declared .....	(710,000)	(710,000)
At December 31, 2011 and January 1, 2012 .....	(21,908)	(21,908)
Net profit and total comprehensive income for the period .....	550,715	550,715
Dividend declared .....	(256,556)	(256,556)
At June 30, 2012 .....	<u>272,251</u>	<u>272,251</u>
Unaudited		
At December 31, 2010 and January 1, 2011 .....	(47,298)	(47,298)
Net loss and total comprehensive loss for the period .....	(2,296)	(2,296)
At June 30, 2011 .....	<u>(49,594)</u>	<u>(49,594)</u>

## (d) Capital reserve

The capital reserve represents the paid-in capital of Wison Singapore at December 31, 2010 and 2011. The Group acquired Wison Singapore during 2011 from Wison Holding which was a business combination under common control and has been accounted for by applying the principle of merge accounting and the capital reserve has been debited.

**32. RELATED PARTY TRANSACTIONS**

In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during each of the Relevant Periods and the six months ended June 30, 2011:

	Notes	Year ended December 31,			Six months ended June 30,	
		2009	2010	2011	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Related companies:						
Purchase of products	(a)(i)	1,805	1,626	2,980	1,363	—
Rental income	(a)(ii)	887	152	3,333	2,368	233
Rendering of services	(b)(i)	—	—	878,478	111,305	322,179
Fellow subsidiaries:						
Rental income	(a)(ii)	—	735	2,516	556	2,691
Rendering of services	(b)(i)	152,195	585	19,914	—	88,299
Sale of construction materials	(a)(iii)	779	—	—	—	—
Rental expenses	(a)(iv)	—	—	331	—	276
Purchase of services	(b)(ii)	—	—	4,600	—	200
Purchase of interests in an associate from a key management personnel						
	(a)(v)	600	—	—	—	—

## Notes:

## (a) Recurring

- (i) The Group and Jiangsu Xinhua entered into a framework agreement effective on April 25, 2011 for a term of three years that sets out the principal term and conditions under which the Group will purchase anchor, refractory support plunge hook and other ancillary accessories for its cracking furnaces and chemical engineering tower from Jiangsu Xinhua. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, the Group's purchases of heat-resistant alloy pipes and other ancillary accessories from Jiangsu Xinhua amounted to RMB1,805,000, RMB1,626,000 and RMB2,980,000, RMB1,363,000 and nil, respectively. The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers.

- (ii) The Group leased out office space to 上海澤潤生物科技有限公司 (Shanghai Zerun Biotechnology Co., Ltd. "Zerun Biotech") a previously related company of which became a fellow subsidiary of the Group in 2011, for RMB887,000 per annum for a three year period commencing from May 20, 2007. Rental income for the year ended December 31, 2009 amounted to RMB887,000.

In January 2010, the Group and Zerun Biotech agreed to terminate the lease agreement. The Group entered into lease agreements with Zerun Biotech and 嘉和生物藥業有限公司 (Genor BioPharma Co., Ltd. "Genor BioPharma", a fellow subsidiary of the company), respectively, for which the Group leased out the same office space to Zerun Biotech and Genor BioPharma for RMB152,000 per annum and RMB735,000 per annum, respectively, for a three-year period commencing from January 1, 2010. Rental income for the year ended December 31, 2010 from Zerun Biotech and Genor BioPharma amounted to RMB152,000 and RMB735,000 respectively.

On December 31, 2010, the Group and Zerun Biotech agreed to terminate the above lease agreement and entered into a new lease agreement on May 10, 2011, for which the Group leased out a new office space to Zerun Biotech for RMB4,269,000 per annum for a three-year period commencing from January 1, 2011. During the year ended December 31, 2011, the Group and Zerun Biotech agreed to supersede the foregoing leasing agreements and entered into another the lease agreement, for which the Group leased out two additional office premises to Zerun Biotech of which one premise is RMB4,579,000 per annum for a 30 month period commencing from July 1, 2011 and another premise is RMB317,000 per annum for a 24 month period commencing from January 1, 2012. Rental income for the year ended December 31, 2011 and the six months ended June 30, 2011 and 2012 from Zerun Biotech amounted to RMB4,424,000, RMB2,135,000 and RMB2,448,000, respectively.

On December 31, 2010, the Group and Genor BioPharma agreed to terminate the above lease agreement and entered into a new lease agreement on May 10, 2011, for which the Group leased out a new office space to Genor BioPharma for RMB626,000 per annum for a three-year period commencing from January 1, 2011. During the year ended December 31, 2011, the Group and Genor BioPharma agreed to amend the foregoing lease agreement, for which Genor BioPharma reduced the leased office spaces for RMB317,000 per annum for a 6-month period commencing from July 1, 2011. On December 31, 2011, the Group and Genor BioPharma agreed to terminate the above agreements. Rental income for the year ended December 31, 2011 and for the six months ended June 30, 2011 from Genor BioPharma amounted to RMB472,000 and RMB313,000, respectively.

During the year ended December 31, 2011, the Group leased out office space to 上海惠生通訊技術有限公司 (Wison (Shanghai) Telecommunication Technology Company Limited "Wison Telecommunication") for RMB467,000 per annum for a three-year period commencing from January 1, 2011. Rental income for

the year ended December 31, 2011 and for the six months ended June 30, 2011 and 2012 from Wison Telecommunication amounted to RMB467,000, RMB233,000 and RMB233,000, respectively.

During the year ended December 31, 2011, the Group leased out office space to 惠生（南通）重工有限公司 (Wison (Nantong) Heavy Industrial Co., Ltd. "Wison Nantong", a fellow subsidiary of the Company), for RMB486,000 per annum for a three-year period commencing from January 1, 2011. Rental income for the year ended December 31, 2011 and for the six months ended June 30, 2011 and 2012 from Wison Nantong amounted to RMB486,000, RMB243,000 and RMB243,000, respectively.

In the opinion of the Directors of the Company, the transactions between the Group and Zerun Biotech, Genor BioPharma, Wison Telecommunication and Wison Nantong were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

- (iii) During the year ended December 31, 2009, the Group sold construction materials to Wison Nanjing amounting to RMB779,000. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.
- (iv) On August 29, 2011, 南京瑞固化工有限公司 (Nanjing Ruigu Chemical Engineering Co. Ltd. "Nanjing Ruigu"), a previously fellow subsidiary of the Company was de-registered and merged with Wison Nanjing on November 30, 2011, leased to the Group a portion of land. The lease is for a term commencing from July 1, 2011 to December 31, 2013. On May 30, 2012, the Group and Wison Nanjing agreed to terminate the above lease agreement. Rental expenses for the year ended December 31, 2011 and for the six months ended June 30, 2012 amounted to RMB331,000 and RMB276,000, respectively. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing and Nanjing Ruigu were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.
- (v) During the year ended December 31, 2009, the Group purchased a 20% equity interest of Henan Chuangsite from Mr. Yang Zhimin, who is a key member of management of a subsidiary of the Group, for a consideration of RMB600,000 (note 19). In the opinion of the Directors of the Company, the transactions between the Group and the aforementioned related party were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.
- (vi) Wison Holding, as licensor, entered into three trade mark licensing agreement with the Group to grant the right to use the trade marks by the Group on a

perpetual and non-exclusive basis at nominal or nil consideration during the six months ended June 30, 2012.

- (vii) On May 18, 2010, the Group entered into four separate patent licensing agreements, each for a term of six years with Wison Nanjing, pursuant to which the Group agreed to grant an exclusive license to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas free of royalty fee.

(b) Non-recurring

- (i) During the year ended December 31, 2007, the Group and Wison Nanjing entered into a contract whereby Wison Nanjing engaged the Group to undertake the construction of its coal-to-chemicals production facilities located in the Nanjing Chemical Industrial Park, Nanjing City, Jiangsu province, the PRC, for a consideration of RMB260 million. The Group and Wison Nanjing agreed to increase the contract consideration by RMB35 million due to variation orders. The Group recognized revenue of RMB64,958,000 and RMB585,000 on this contract during the years ended December 31, 2009 and 2010, respectively. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from customer and trade receivables relating to Wison Nanjing are set out in notes 21 and 22, respectively.

The Group had a contract with Wison Nanjing to undertake the design of coal-to-chemicals production facilities in the Nanjing Chemical Industrial Park for a contract value of RMB11,200,000. The Group recognized revenue of RMB1,233,000 on this contract during the year ended December 31, 2009. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

During the year ended December 31, 2011, the Group and Wison Nanjing entered into a design contract and a technology licensing agreement whereby Wison Nanjing engaged the Group to design and license the technology for its Butanol and Octanol projects including a 250kta Butanol and Octanol processing unit, a 300kta propane processing unit and other ancillary facilities for an aggregate contract value of RMB51,030,000. The Group recognized revenue of RMB17,464,000 and RMB13,029,000 on this contract during the year ended December 31, 2011 and the six months ended June 30, 2012, respectively. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

During the year ended December 31, 2011 and the six months ended June 30, 2012, the Group and Wison Nanjing entered into a series of service contracts for a total contract value of RMB2,450,000 and RMB53,730,000, respectively. The Group recognized revenue of RMB2,450,000 and RMB8,954,000 (net of valued added tax) on these contracts during the year ended December 31, 2011 and the six months ended June 30, 2012. In the opinion of the Directors of the Company, the transactions between the Group and Wison Nanjing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

During the year ended December 31, 2009, the Group and Erdos Guotai, a fellow subsidiary of the Company, entered into a contract whereby Erdos Guotai engaged the Group to undertake the construction of its coal-to-chemicals production facilities for a contract value of RMB1,997,500,000. On January 20, 2010, the Group and Erdos Guotai agreed to terminate the contract and decreased the contract value to RMB89,357,000 (inclusive of value added tax). The Group recognized revenue of RMB86,004,000 on this contract during the year ended December 31, 2009. In the opinion of the Directors of the Company, the transactions between the Group and Erdos Guotai were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The trade receivables and amount due from customer relating to Erdos Guotai are set out in notes 22 and 21, respectively.

During the year ended December 2011, the Group and Shaanxi Changqing, of which, Wison Holding has an indirect 25% equity interests, entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal-to-chemicals production facilities for a contract value of RMB2,186,500,000. The Group recognized revenue of RMB878,478,000, RMB111,305,000 and RMB322,179,000 (net of tax) on this contract during the year ended December 31, 2011 and the six months ended June 30, 2011 and 2012, respectively. In the opinion of the Directors of the Company, the transactions between the Group and Shaanxi Changqing were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from customers and trade receivables relating to Shaanxi Changqing are set out in notes 21 and 22, respectively.

On May 16, 2012, the Group and Zhoushan Wison, a fellow subsidiary of the Company, entered into a construction contract whereby Zhoushan Wison engaged the Group to procure all the equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for a contract value of RMB990,930,000. The Group recognized revenue of RMB66,316,000 on this contract during the six months ended June 30, 2012. In the opinion of the Directors of the Company, the transactions between the Group and Zhoushan Wison were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The amount due from customer and



trade receivables relating to Zhoushan Wison are set out in notes 21 and 22, respectively.

- (ii) On June 8, 2011, the Group and Nanjing Ruigu entered into a technology co-operation development contract for the development of the project “cooperative research project for the methanol-to-olefins sets pilot phase”, for a consideration of RMB23 million. The Group paid research and development expenses of RMB4,600,000 and RMB200,000 on this contract to Nanjing Ruigu during the year ended December 31, 2011 and the six months ended June 30, 2012, respectively. In the opinion of the Directors of the Company, the transactions between the Group and Nanjing Ruigu were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.
- (iii) During the year ended December 31, 2011, the Group paid certain expenses of RMB3,526,000 on behalf of Shaanxi Changqing.
- (iv) During the year ended December 31, 2011, the Group paid a tendering deposit of RMB50,000 to Wison Nanjing and has been settled subsequently in 2012.
- (v) On June 6, 2007, Mr. Hua Bangsong, Wison Holding, and Wison Technology entered into an agreement with Oasis Energy Limited, 8W APO Holdings Ltd. and Fortuneway Group Limited (collectively, the “Investors”) whereby Wison Holding issued exchangeable bonds to the Investors for a consideration of US\$80 million (the “Exchangeable Bonds Agreement”). On June 12, 2008, Mr. Hua Bangsong, Wison Holding and Wison Technology entered into a supplementary agreement with the Investors whereby certain terms of the Exchangeable Bonds Agreement were amended. As detailed in the Exchangeable Bonds Agreement and the supplementary agreement, the exchangeable bonds were mandatorily exchangeable for ordinary shares of the Company immediately prior to an initial public offering and listing of the Company meeting certain requirements. Mr. Hua Bangsong and Wison Holding provided a guarantee to the Investors that upon the occurrence of an event of default (as defined under the Exchangeable Bonds Agreement), at the sole option of the Investors, Wison Holding or Mr. Hua Bangsong would redeem part or all of the exchangeable bonds at a redemption price which would give the Investors a compound annual return of 25% per annum. Subsequently, in 2009, Wison Holding fully redeemed the exchangeable bonds together with the interest. The Group made advances of RMB775,873,000 to Wison Holding for the redemption.
- (vi) As at December 31, 2009 and 2010, bank deposits of RMB131,800,000 and RMB569,850,000, respectively, were pledged as security by the Group to a bank for Wison Holding to obtain a bank loan (note 24).
- (vii) During the year ended December 31, 2009, Wison Nanjing executed a guarantee to a bank for a loan granted to the Group of RMB100,000,000 at nil consideration. The guarantee was released on March 16, 2010 (note 27).

- (viii) During the year ended December 31, 2009, Wison Nanjing executed a guarantee to a bank for a credit facility granted to the Group of RMB200,000,000 at nil consideration. The guarantee was released in 2011.
- (ix) During the year ended December 31, 2010, Wison Engineering executed a guarantee to a bank for a credit facility granted to Wison Nanjing of RMB300,000,000 at nil consideration. The guarantee was released in 2011.
- (x) During the six months ended June 30, 2012, Wison Investment executed a guarantee to a bank for a bank loan granted to the Group of RMB100,000,000 at nil consideration. The guarantee was subsequently released (note 27).

During the six months ended June 30, 2012, Wison Investment executed a guarantee to a bank for a credit facility granted to the Group of RMB700,000,000 at nil consideration. The guarantee was subsequently released (note 27).

- (xi) On July 5, 2011, the Company and eleven Investors (“Pre-IPO Investors”) entered into eight separate subscription agreements (the “Subscription Agreements”). Pursuant to the Subscription Agreements, Wison Holding agreed to issue exchangeable bonds (“the Bonds”) to the Pre-IPO Investors, for an aggregate consideration of US\$95 million. The Bonds are exchangeable for ordinary shares of the Company held by Wison Investment. The maturity date of the Bonds is January 6, 2013. The Group’s companies are guarantors to the Bonds. Completion of the Subscription Agreements took place on July 6, 2011.

Wison Holding entered into agreements with China Huadian Hongkong Company Limited (“Huadian”) on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse AG and United Overseas Bank Limited on June 4, 2012 to redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse AG and United Overseas Bank Limited. On September 20, 2012, the Bonds held by the remaining Pre-IPO Investors were exchanged into the shares pursuant to the terms and conditions of the Bonds and the remaining Pre-IPO Investors became the shareholders of the Company.

- (xii) On July 5, 2011, Wison Investment entered into a facility agreement (the “Facility Agreement”) with three lenders, including BOCOM International Holdings Company Limited, Credit Suisse AG and United Overseas Bank Limited (the “Lenders”) and pursuant to which the Lenders provided, among other things, a US\$100.0 million loan facility funded by each of the Lenders severally, at a fixed rate of 9.0% per annum. As a term of the Facility Agreement, Wison Investment must ensure that all amounts borrowed under the facility are used to repay certain loans and payables owed by Wison Holding and its subsidiaries to the Group. The obligations of Wison Investment under the Facility Agreement are also guaranteed jointly and severally by the Company, Wison Technology, Wison Energy (HK) and Wison Singapore.

On July 6, 2011, the Company, Wison Technology and Wison Energy (HK) granted security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Pre-IPO Investors and Lenders.

On July 6, 2011, the Company, Wison Technology, Wison Energy (HK) and Wison Singapore granted security for the benefit of the Pre-IPO Investors and Lenders over all their assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou.).

On July 6, 2011, the Group granted security for the benefit of the Pre-IPO Investors and Lenders over all its shares in Wison Technology, Wison Energy (HK) and Wison Singapore.

(c) Balances with related parties:

**Group**

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a director:				
Mr. Hua Bangsong .....	438	659	—	—
Due from related companies:				
Jiangsu Xinhua .....	—	62,620	—	—
Wison Telecommunication .....	556	11,050	172	233
Erdos Guotai .....	5	68,244	—	—
鄂爾多斯市綠舟實業有限公司 (Erdos Lvzhou Industry Co., Ltd. "Erdos Lvzhou") .....	—	1,000	—	—
Zerun Biotech .....	34,167	400,826	—	—
	<u>34,728</u>	<u>543,740</u>	<u>172</u>	<u>233</u>
Due from fellow subsidiaries:				
Zerun Biotech .....	—	—	2,290	4,738
Wison Offshore & Marine Limited .....	73,845	84,242	—	—
Genor BioPharma .....	—	70	—	172
Wison Investment (Hong Kong) Limited (formerly known as Wison Chemical (Hong Kong) Limited) ("Wison Chemical") .....	—	150,600	—	—
Wison Nanjing .....	120,079	—	—	—
惠生 (中國) 投資有限公司 (Wison (China) Investment Co., Ltd. "Wison (China) Investment") .....	—	—	128	217
Wison Nantong .....	293,096	943,273	669	1,046
	<u>487,020</u>	<u>1,178,185</u>	<u>3,087</u>	<u>6,173</u>
Due from the ultimate holding company:				
Wison Holding .....	873,998	343,632	89	87
Due to a related company:				
Jiangsu Xinhua .....	(19,978)	—	(78)	(78)
Due to a fellow subsidiary:				
Wison Chemical .....	(3,686)	—	—	—
Due to an associate:				
Henan Chuangsite .....	—	—	(630)	(630)
Due to a related party:				
Mr. Yang Zhimin .....	(600)	—	—	—

Mr. Hua Bangsong is a director and the beneficial shareholder of the Company.

Zerun Biotech (a related company prior to September 2, 2011 and became a fellow subsidiary thereafter), Erdos Lvzhou and Erdos Guotai are companies in which Mr. Hua Bangsong has a beneficial interest as an equity holder.

Jiangsu Xinhua is the Chinese joint venture partner of Wison Engineering. Wison Telecommunication is a subsidiary of Jiangsu Xinhua.

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

The amounts with fellow subsidiaries, related companies and the ultimate holding company are presented on a net basis in the consolidated statements of financial position.

## Company

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due from a fellow subsidiary*:				
Wison Energy (HK) .....	3	7	—	—
Due from a subsidiary:				
Wison Technology .....	—	—	62,323	61,485
Due to fellow subsidiaries:				
Wison Chemical .....	(1,680)	(5,799)	—	—
Wison Engineering* .....	(14,159)	(16,557)	—	—
Wison Yangzhou* .....	(2)	(2)	—	—
Wison Energy (HK)* .....	—	—	—	—
Wison Technology .....	(22,237)	(22,228)	—	—
	<u>(38,078)</u>	<u>(44,586)</u>	<u>—</u>	<u>—</u>
Due to subsidiaries:				
Wison Engineering .....	—	—	(21,458)	(24,229)
Wison Yangzhou .....	—	—	(2)	(2)
Wison Energy (HK) .....	—	—	(221,895)	(221,809)
	<u>—</u>	<u>—</u>	<u>(243,355)</u>	<u>(246,040)</u>
Due to the ultimate holding company:				
Wison Holding .....	(4,466)	(4,483)	—	—

\* Wison Energy (HK), Wison Engineering and Wison Yangzhou become subsidiaries of the Company during 2011.

The amounts with fellow subsidiaries, subsidiaries and the ultimate holding company are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

The maximum outstanding amounts during the Relevant Periods were are as follows:

**Group**

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a director:				
Mr. Hua Bangsong .....	435	659	659	—
Due from related companies:				
Jiangsu Xinhua .....	—	65,831	62,620	—
Wison Telecommunication .....	556	11,066	76,029	233
Erdos Guotai .....	13	68,244	68,224	—
Erdos Lvzhou .....	—	1,000	1,000	—
Zerun Biotech .....	97,893	400,826	—	—
	98,462	546,967	207,873	233
Due from fellow subsidiaries:				
Zerun Biotech .....	—	—	562,070	4,738
Wison Offshore & Marine Limited .....	73,845	84,242	84,242	—
Genor BioPharma .....	15,000	98	170,402	172
Wison Chemical .....	—	168,105	157,829	—
Wison Nanjing .....	272,430	—	—	—
Wison (China) Investment .....	—	—	624	310
Wison Nantong .....	323,096	943,273	1,005,328	1,046
	684,371	1,195,718	1,980,495	6,266
Due from the ultimate holding company:				
Wison Holding .....	1,134,277	873,998	440	87

**33. INVESTMENT IN A SUBSIDIARY**

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
Wison Technology .....	—	—	1	1

Pursuant to the Group Reorganization on May 16, 2011, the Company issued 9,000 ordinary shares of HK\$0.1 each and in consideration and in exchange for the entire issued share capital of Wison Technology. Upon completion, Wison Technology became wholly owned by the Company.

**34. DERIVATIVE FINANCIAL INSTRUMENTS**

	December 31,			June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contract .....	—	(746)	—	—

**35. OPERATING LEASE ARRANGEMENTS*****As lessor***

The Group leases its properties under operating lease arrangements, with leases negotiated for a term of three years.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year .....	2,380	1,632	6,511	7,327
In the second to fifth years, inclusive .....	733	887	5,848	2,448
	<u>3,113</u>	<u>2,519</u>	<u>12,359</u>	<u>9,775</u>

### ***As lessee***

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years/for a term of five years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year .....	6,508	6,745	16,413	19,575
In the second to fifth years, inclusive .....	1,521	8,174	13,752	17,010
	<u>8,029</u>	<u>14,919</u>	<u>30,165</u>	<u>36,585</u>

## **36. COMMITMENTS**

In addition to the operating lease commitment detailed in note 35 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided:				
Equipment and materials .....	1,722,379	1,560,607	637,329	1,535,140
Land and buildings .....	158,729	158,729	135,052	300,293
	<u>1,881,108</u>	<u>1,719,336</u>	<u>772,381</u>	<u>1,835,433</u>

## **37. CONTINGENT LIABILITIES**

On November 20, 2008, Wison Technology entered into an agreement with Wison Energy (HK), its wholly owned subsidiary, to transfer its entire 75% equity interest in Wison Engineering to Wison Energy (HK). This equity transfer was approved by the Shanghai Commerce Bureau on December 25, 2008 and was registered with the Shanghai Administration for Industry and Commerce on December 29, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of 1 share in Wison Energy (HK) to Wison Technology.

On November 20, 2008, Wison Technology entered into an agreement with Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou to Wison Energy



(HK). This equity transfer was approved by the Yangzhou Foreign Trade and Economic Cooperation Bureau on December 3, 2008 and was registered with the Jiangsu Administration for Industry and Commerce on December 17, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of 1 share in Wison Energy (HK) to Wison Technology.

According to the PRC tax rules, Wison Technology is subject to PRC income tax on such equity transfers and will be exempted from the PRC income tax if these equity transfers fulfill the criteria as laid down in Article 5 of the Ministry of Finance/State Administration of Taxation Circular of Caishui [2009] No.59 titled "Circular on Certain Questions Regarding Corporate Income Tax Treatments for Business Reorganization of Enterprises" (關於企業重組業務企業所得稅處理若干問題的通知) (hereinafter referred to as the "Circular No.59") and the equity transfer qualify for special tax treatment as stipulated in the Circular No.59. Pursuant to the State Administration of Taxation Circular of Guoshuihan [2009] No.698 titled "Circular on Strengthening the Corporate Income Tax Administration on Non-Resident Enterprise's Gain on Equity Transfer" (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), the qualification of special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognized by the provincial tax authority.

In 2010, the Group submitted its application for the above equity transfer transactions to qualify for special tax treatment under Circular No.59 to the relevant tax bureau. To date, the relevant tax bureau has not reverted on this application. In December 2011, the Group computed the tax liability in relation to the transfer of equity interests in Wison Engineering based on the relevant PRC tax regulations and submitted a payment of RMB10.4 million to the relevant tax bureau. As at December 31, 2011, the Group assessed and computed the tax liability in relation to the transfer of equity interests in Wison Yangzhou based on the relevant PRC tax regulations and made a provision of RMB4.4 million accordingly which has been considered by the Company's directors to be adequate. In the opinion of the Directors, the PRC tax authorities may not accept the Group's application so that the Group may fail to obtain the preferential tax under Circular No.59 and resulted in additional tax paid.

Pursuant to the Subscription Agreements and Facility Agreement dated July 5, 2011, the Company, Wison Technology, Wison Energy (HK) and Wison Singapore provided guarantees to eleven investors and Lenders to secure the obligations of the parties thereto upon the occurrence of an event of default under the Subscription Agreements and Facility agreement.

On July 6, 2011, the Company, Wison Technology and Wison Energy (HK) granted security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Pre-IPO Investors and Lenders.

On July 6, 2011, the Company, Wison Technology, Wison Energy (HK) and Wison Singapore granted security for the benefit of the Pre-IPO Investors and Lenders over all its assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou.).

On July 6, 2011, the Group granted security for the benefit of the Pre-IPO Investors and Lenders over all its shares in Wison Technology, Wison Energy (HK) and Wison Singapore.

**38. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

June 30, 2012

**Financial assets**

	<b>Loans and receivables</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills receivables .....	157,289	157,289
Financial assets included in prepayments, deposits and other receivables (note 23) .....	100,432	100,432
Due from related company .....	233	233
Due from fellow subsidiaries .....	6,173	6,173
Due from the ultimate holding company .....	87	87
Pledged bank balances and time deposits .....	718,769	718,769
Unpledged cash and bank balances .....	571,014	571,014
	<u>1,553,997</u>	<u>1,553,997</u>

**Financial liabilities**

	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills payables .....	1,387,524	1,387,524
Financial liabilities included in other payables, advance from customers and accruals (note 26) .....	135,843	135,843
Due to a related company .....	78	78
Due to an associate .....	630	630
Interest-bearing bank borrowings .....	2,223,116	2,223,116
Finance lease payables .....	909	909
	<u>3,748,100</u>	<u>3,748,100</u>

December 31, 2011

**Financial assets**

	<b>Loans and receivables</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills receivables .....	163,775	163,775
Financial assets included in prepayments, deposits and other receivables (note 23) .....	27,994	27,994
Due from a related company .....	172	172
Due from fellow subsidiaries .....	3,087	3,087
Due from the ultimate holding company .....	89	89
Pledged bank balances and time deposits .....	508,183	508,183
Unpledged cash and bank balances .....	639,870	639,870
	<u>1,343,170</u>	<u>1,343,170</u>

**Financial liabilities**

	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills payables .....	1,508,147	1,508,147
Financial liabilities included in other payables, advance from customers and accruals (note 26) .....	175,170	175,170
Due to a related company .....	78	78
Due to an associate .....	630	630
Interest-bearing bank borrowings .....	1,591,146	1,591,146
Finance lease payables .....	1,189	1,189
	<u>3,276,360</u>	<u>3,276,360</u>

December 31, 2010

**Financial assets**

	<b>Loans and receivables</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills receivables .....	802,088	802,088
Financial assets included in prepayments, deposits and other receivables (note 23) .....	42,498	42,498
Due from a director .....	659	659
Due from fellow subsidiaries .....	1,178,185	1,178,185
Due from related companies .....	543,740	543,740
Due from the ultimate holding company .....	343,632	343,632
Pledged bank balances and time deposits .....	1,568,673	1,568,673
Unpledged cash and bank balances .....	542,181	542,181
	<u>5,021,656</u>	<u>5,021,656</u>

**Financial liabilities**

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>
Trade and bills payables .....	—	1,031,157	1,031,157
Financial liabilities included in other payables, advance from customers and accruals (note 26) .....	—	251,701	251,701
Derivative financial instruments .....	746	—	746
Dividends payable .....	—	184,605	184,605
Interest-bearing bank borrowings .....	—	2,882,287	2,882,287
Finance lease payables .....	—	1,111	1,111
	<u>746</u>	<u>4,350,861</u>	<u>4,351,607</u>

Group

December 31, 2009

**Financial assets**

	Loans and receivables	Total
	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills receivables .....	630,574	630,574
Financial assets included in prepayments, deposits and other receivables (note 23) .....	36,973	36,973
Due from a director .....	438	438
Due from fellow subsidiaries .....	487,020	487,020
Due from related companies .....	34,728	34,728
Due from the ultimate holding company .....	873,998	873,998
Pledged bank balances and time deposits .....	898,344	898,344
Unpledged cash and bank balances .....	435,622	435,622
	<u>3,397,697</u>	<u>3,397,697</u>

**Financial liabilities**

	Financial liabilities at amortized cost	Total
	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables .....	588,919	588,919
Financial liabilities included in other payables, advance from customers and accruals (note 26) .....	132,136	132,136
Interest-bearing bank borrowings .....	2,056,851	2,056,851
Finance lease payables .....	1,298	1,298
Dividends payable .....	184,605	184,605
Due to a fellow subsidiary .....	3,686	3,686
Due to a related company .....	19,978	19,978
Due to a related party .....	600	600
	<u>2,988,073</u>	<u>2,988,073</u>

Company

**Financial assets**

	December 31,			June 30,
	2009	2010	2011	2012
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<u>Loans and receivables</u>				
Due from a subsidiary .....	3	7	—	—
Due from a fellow subsidiary .....	—	—	62,323	61,485
Dividend receivables .....	—	—	162,003	438,609
Cash and cash equivalents .....	1,336	81	436	19,820
	<u>1,339</u>	<u>88</u>	<u>224,762</u>	<u>519,914</u>

**Financial liabilities**

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at amortized cost				
Financial liabilities included in other payables, advance from customers and accruals (note 26) . . . . .	474	—	12,633	11,446
Due to fellow subsidiaries . . . . .	38,078	44,586	—	—
Due to subsidiaries . . . . .	—	—	243,355	246,040
Due to the ultimate holding company . . . . .	4,466	4,483	—	—
	43,018	49,069	255,988	257,486

**39. FAIR VALUE HIERARCHY**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are not based on observable market data (unobservable inputs)

As at December 31, 2010, the Group's derivative financial instruments (level 2) were measured at fair value. There is no change of hierarchy for determining the fair value of the financial instruments during the Relevant Periods.

**40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments consist mainly of cash and bank balances, pledged bank balances and time deposits, derivative financial instruments, an amount due to a related party, amounts with related companies, amounts with fellow subsidiaries and an amount due from ultimate holding company, an amount due from a director, an amount due to an associate, interest-bearing bank and other borrowings and finance lease payables. The main purpose of these financial instruments was to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

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

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings and finance lease payables set out in notes 27 and 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group 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 Group's profit before tax (through the impact on floating rate borrowings).

	<u>Increase/ (decrease) in basis points</u>	<u>Decrease/ (increase) in loss before tax</u>
		<i>RMB'000</i>
<b>Six months ended June 30, 2012</b>		
— US\$ denominated loans .....	20	(506)
— RMB denominated loans .....	20	(3,940)
— US\$ denominated loans .....	(20)	506
— RMB denominated loans .....	(20)	3,940
	<u>Increase/ (decrease) in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>RMB'000</i>
<b>Year ended December 31, 2011</b>		
— US\$ denominated loans .....	20	(504)
— RMB denominated loans .....	20	(2,678)
— US\$ denominated loans .....	(20)	504
— RMB denominated loans .....	(20)	2,678
<b>Year ended December 31, 2010</b>		
— US\$ denominated loans .....	20	(1,292)
— RMB denominated loans .....	20	(4,454)
— US\$ denominated loans .....	(20)	1,292
— RMB denominated loans .....	(20)	4,454
<b>Year ended December 31, 2009</b>		
— US\$ denominated loans .....	20	(1,106)
— RMB denominated loans .....	20	(3,045)
— US\$ denominated loans .....	(20)	1,106
— RMB denominated loans .....	(20)	3,045

(b) Foreign currency risk

As a result of the US\$ denominated loans and foreign currency bank balances, the Group's balance sheet can be affected significantly by movements in the exchange rates of US\$, Euro dollars ("EUR\$"), HK\$ and Saudi Riyal dollar ("SAR\$") against RMB.



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

	<u>Increase/decrease in HK\$/US\$/EUR\$/SAR\$ rate</u>	<u>Loss before tax</u> <i>RMB'000</i>
<b>Six months ended June 30, 2012</b>	-5%	(8,891)
	+5%	8,891
	<u>Increase/decrease in HK\$/US\$/EUR\$/SAR\$ rate</u>	<u>Profit before tax</u> <i>RMB'000</i>
<b>Year ended December 31, 2011</b>	-5%	(9,099)
	+5%	9,099
<b>Year ended December 31, 2010</b>	-5%	(3,053)
	+5%	3,053
<b>Year ended December 31, 2009</b>	-5%	(2,408)
	+5%	2,408

(c) Credit risk

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

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

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of their instruments.

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

In addition to the Group's exposure to credit risk in relation to the Group's financial assets, the Group is exposed to credit risk from guarantees which the Group has provided. Pursuant to the Exchangeable Bonds Agreement, Wison Holding, the Company and Mr. Hua Bangsong provided a guarantee to the Investors that upon the occurrence of an event of default (as defined under the Exchangeable Bonds Agreement), at the sole option of the Investors, Wison Holding, the Company or Mr. Hua Bangsong would redeem part or all of the exchangeable bonds at a redemption price which would give the Investors a compound annual return of 25% per annum (note 32). Subsequently, in 2009, Wison Holding fully redeemed

the exchangeable bonds and settled the accrued interest payable. Pursuant to the Subscription Agreement and the Facility Agreement dated July 5, 2011, the Company, Wison Technology, Wison Energy (HK) and Wison Singapore provided guarantees to the Pre-IPO Investors and Lenders to secure the obligations of the parties thereto upon the occurrence of an event of default under the Subscription Agreement and the Facility Agreement.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings, trade and bills payable, other payables and finance lease payables, an amount due to a related company, an amount due to a fellow subsidiary, an amount due to an associate and an amount due to a related party. Cash flows are closely monitored on an ongoing basis.

The maturity profiles of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, were as follows:

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>June 30, 2012</b>					
Interest-bearing bank and other borrowings . . .	—	474,780	1,847,262	—	2,322,042
Trade and bills payables . . . . .	—	1,387,524	—	—	1,387,524
Other payables and accruals . . . . .	—	135,843	—	—	135,843
Finance lease payables . . . . .	—	104	312	580	996
Due to a related company . . . . .	78	—	—	—	78
Due to an associate . . . . .	630	—	—	—	630
Guarantees given to the Investors in connection with the Exchangeable Bonds Agreement and the Facility Agreement . . . . .	—	—	1,227,663	—	1,227,663
<b>December 31, 2011</b>					
Interest-bearing bank and other borrowings . . .	—	419,579	1,025,171	201,176	1,645,926
Trade and bills payables . . . . .	—	1,508,147	—	—	1,508,147
Other payables and accruals . . . . .	—	175,170	—	—	175,170
Finance lease payables . . . . .	—	186	371	753	1,310
Due to a related company . . . . .	78	—	—	—	78
Due to an associate . . . . .	630	—	—	—	630
Guarantees given to the Investor in connection with the Exchangeable Bonds Agreement and the Facility Agreement . . . . .	—	—	—	1,493,313	1,493,313
<b>December 31, 2010</b>					
Interest-bearing bank and other borrowings . . .	—	407,072	2,315,920	305,000	3,027,992
Trade and bills payables . . . . .	—	1,031,157	—	—	1,031,157
Other payables and accruals . . . . .	—	251,701	—	—	251,701
Dividends payable . . . . .	184,605	—	—	—	184,605
Finance lease payables . . . . .	—	114	340	764	1,218
Guarantees given to banks in connection with facilities granted to Fellow subsidiary . . . . .	300,000	—	—	—	300,000
<b>December 31, 2009</b>					
Interest-bearing bank and other borrowings . . .	—	459,210	1,425,900	239,224	2,124,334
Trade and bills payables . . . . .	—	588,919	—	—	588,919
Other payables and accruals . . . . .	—	132,136	—	—	132,136
Dividends payable . . . . .	184,605	—	—	—	184,605
Finance lease payables . . . . .	—	103	309	1,048	1,460
Due to a fellow subsidiary . . . . .	3,686	—	—	—	3,686
Due to a related company . . . . .	19,978	—	—	—	19,978
Due to a related party . . . . .	600	—	—	—	600
Guarantees given to banks in connection with facilities granted to fellow subsidiary . . . . .	300,000	—	—	—	300,000

(e) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to shareholders or issue new shares.

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

	December 31,			June 30,
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings . . . . .	2,056,851	2,882,287	1,591,146	2,223,116
Finance lease payables . . . . .	1,298	1,111	1,189	909
Total debt . . . . .	2,058,149	2,883,398	1,592,335	2,224,025
Total equity . . . . .	379,285	1,015,305	804,423	478,614
Gearing ratio . . . . .	5.4x	2.8x	2.0x	4.6x

#### 41. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of RMB612,000, RMB190,000 and RMB506,000 and nil respectively.

#### 42. EVENTS AFTER THE REPORTING PERIOD

On September 20, 2012, the Bonds held by the remaining Pre-IPO Investors were exchanged into 649 shares of HK\$0.10 each. As set out in Appendix IV, section headed "Summary of Pre-IPO Investment" of the Prospectus, these Pre-IPO Investors had already exchanged the Bonds into shares of the Company and were still entitled to the First Put Option and the Third Put Option (as defined in the Majority Shareholder Undertakings dated July 5, 2011). Accordingly, the Group continues to provide guarantee in relation to the First Put Option and the Third Put Option under the Majority Shareholder Undertakings.

In December 2012, certain Pre-IPO Investors have extended the maturity date of the remaining Bonds with principal amount of US\$57,000,000 to December 31, 2013.

The Company has conditionally adopted a share option scheme under which options to subscribe for shares of the Company of HK\$0.1 each, representing up to 10% of the issued share capital of the Company as of the date of listing, may be granted to the directors, full-time or part-time employees, consultants and advisers of the Group (the "Share Option Scheme"). As of the date of this report, no option has been granted or agreed to be granted under the Share Option Scheme.

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on November 30, 2012. As of the date of this report, the Pre-IPO share options to subscribe for an aggregate of 197,923,000 shares had been granted by the Company to 542 grantees.

For details of the Share Option Scheme and the Pre-IPO Share Option Scheme, please refer to Appendix VI of the Company's Prospectus dated December 13, 2012.

On November 30, 2012, Wison Holding and the Company entered into a domain name license agreement (the "Domain Name License Agreement") in respect of the right to use the

domain name “wison-engineering.com” registered under the name of Wison Holding (the “Domain Name”). Pursuant to the Domain Name License Agreement, Wison Holding has agreed to grant the Company, and the Company has accepted, a royalty-free license to use the Domain Name on an exclusive basis. The Domain Name License Agreement is for a perpetual term and may be terminated in certain circumstances, such as if Wison Holding ceases to be a shareholder of the Company.

On November 30, 2012, Wison Holding and the Company entered into an administrative services agreement (the “Administrative Services Agreement”), for which Wison Holding agreed to provide general legal services and legal consultation, information system management services, data management services, back-up services and other related support services to the Group that are charged by Wison Holding based on the cost involved and the portion of actual time incurred by the staff of Wison Holding towards the provision of such services.

On November 30, 2012, the Company’s authorized share capital was increased from HK\$300,000 to HK\$2,000,000,000 by creation of an additional 19,997,000,000 ordinary shares of HK\$0.10 each.

On December 11, 2012, BOCOM International Holdings Company Limited agreed to extend the final repayment date for its portion of principal amount under the Facility Agreement, being US\$64,000,000, to December 31, 2013.

#### **43. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to June 30, 2012.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

The information sets out in this Appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2012 and based on our audited consolidated net tangible assets as of June 30, 2012, as shown in the Accountants' Report, the text of which is set out in Appendix I and is adjusted as detailed below:

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its nature, it may not give a true and fair picture of the financial position of the Group after the completion of the Global Offering or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as of June 30, 2012 <sup>(1)</sup>	Forecast net proceeds from Global Offer Shares <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets <sup>(4)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(3),(4)</sup>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>
Based on an Offer price of HK\$2.79 per Share .....	364,016	966,189	1,330,205	0.33
Based on an Offer price of HK\$3.53 per Share .....	364,016	1,241,440	1,605,456	0.40

*Notes:*

- (1) Our audited consolidated net tangible assets as of June 30, 2012 is extracted from the Accountants' Report set out in Appendix I which is equal to the audited consolidated net assets attributable to owners of our Company of RMB392,928,000 as of June 30, 2012 less other intangible assets of RMB13,160,000 and goodwill of RMB15,752,000 as of the same date.
- (2) The forecast net proceeds from the Global Offer are based on an indicative Offer Price of HK\$2.79 to HK\$3.53 per Share being the low end and high end of the stated Offer Price range, after deduction of the underwriting fees and related expenses payable by our Company and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued or purchased by our Company pursuant to the general mandate for the allotment and issue or purchase of Shares referred to in "Appendix VI—Statutory and General Information—Further information about our Company—Written resolutions of our Shareholders passed on November 30, 2012". The estimated net proceeds are converted into RMB at the rate of HK\$1=RMB0.8115.
- (3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustment referred to in this section above and on the basis that 4,000,000,000 Shares are in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and the Pre-IPO Share Option).
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2012.



**B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

December 13, 2012

The Directors  
Wilson Engineering Services Co. Ltd.  
Citigroup Global Markets Asia Limited  
Deutsche Bank AG, Hong Kong Branch  
BOCOM International (Asia) Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Wilson Engineering Services Co. Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 600,000,000 shares of HK\$0.10 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated December 13, 2012 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

**Respective Responsibilities of the Directors and Reporting Accountants**

It is the responsibility solely of the Directors to prepare 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 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form 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.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted

primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at June 30, 2012 or any future dates.

### Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes 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

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at September 30, 2012 of the property interests of the Group.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

December 13, 2012

The Board of Directors  
Wison Engineering Services Co. Ltd.  
Clifton House,  
75 Fort Street,  
P.O. Box 1350,  
George Town,  
Grand Cayman, KY1-1108,  
Cayman Islands.

Dear Sirs,

In accordance with your instructions to value the properties held by Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at September 30, 2012 (the "date of valuation").

These properties include a property under construction, the carrying amount of which will probably be above 15% of the total assets of the Group upon completion and for the remaining 4 properties, the total capital values of which also comprise a substantial portion of the value of the total owned properties. Therefore, the Company considered that property valuation of these properties is also regarded as important information to be disclosed.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

We have valued the property interests of property no. 3 in Group I and no. 5 in Group III by direct comparison approach, assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Where, due to the nature of the buildings and structures of the property interests of property nos. 1 and 2 in Group I and the particular locations in which they are situated, there

are unlikely to be relevant market comparable sales readily available, the property interests have been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing property interest of property no. 4 which is under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation—Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents, including State-owned Land Use Rights Certificates, Building Ownership Certificates and Real Estate Title Certificates to the property interests, and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy

amendment. We have relied considerably on the advice given by the Company's PRC legal advisers, Beijing Jia Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out any investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have inspected the properties in September 2011 and subsequent re-inspection was carried out in October 2012 by Ms. Corrina Li, Ms. Dase Li and Mr. James Liang. Ms. Corrina Li has 5 years' experience in the valuation of properties, Ms. Dase Li is a China Real Estate Appraiser and Mr. James Liang is a graduate member of the Royal Institution of Chartered Surveyors.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T.W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

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*Note: Eddie T.W. Yiu is a Chartered Surveyor who has 18 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.*

## SUMMARY OF VALUES

## Group I—Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at September 30, 2012	Interest attributable to the Group	Capital value attributable to the Group as at September 30, 2012
		<i>RMB</i>		<i>RMB</i>
1.	A parcel of land various buildings and structures No. 1399 Zhangheng Road Pudong New Area Shanghai The PRC	191,777,000	75%	143,833,000
2.	3 parcels of land various buildings and structures located at Hanjiang Industry Park Yangzhou City Jiangsu Province The PRC	68,575,000	100%	68,575,000
3.	Units 2601 to 2604 and Units 2701 to 2704 on Levels 26 and 27 SunCo First International Building No. 14 Shangwu Waihuan Road Zhengdong New District Zhengzhou City Henan Province The PRC	47,808,000	75%	35,856,000
	<b>Sub-total:</b>	<b><u>308,160,000</u></b>		<b><u>248,264,000</u></b>

## Group II—Property interest held under development by the Group in the PRC

No.	Property	Capital value in existing state as at September 30, 2012	Interest attributable to the Group	Capital value attributable to the Group as at September 30, 2012
		<i>RMB</i>		<i>RMB</i>
4.	A parcel of land (Lot No. B-3-6) and 7 buildings under construction No. 699 Zhongke Road Pudong New Area Shanghai The PRC	809,216,000	75%	606,912,000
	<b>Sub-total:</b>	<b><u>809,216,000</u></b>		<b><u>606,912,000</u></b>



## Group III—Property interest held for investment by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at September 30, 2012</u>	<u>Interest attributable to the Group</u>	<u>Capital value attributable to the Group as at September 30, 2012</u>
		<i>RMB</i>		<i>RMB</i>
5.	Unit 3901 Tower 4 Beijing Fortune Center No. 7 East 3 <sup>rd</sup> Ring Middle Road Chaoyang District Beijing The PRC	36,291,000	75%	27,218,000
	<b>Sub-total:</b>	<u>36,291,000</u>		<u>27,218,000</u>
		<u>Capital value in existing state as at September 30, 2012</u>		<u>Capital value attributable to the Group as at September 30, 2012</u>
		<i>RMB</i>		<i>RMB</i>
	<b>Grand total:</b>	<u>1,153,667,000</u>		<u>882,394,000</u>

## VALUATION CERTIFICATE

## Group I—Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2012										
				<i>RMB</i>										
1.	A parcel of land various buildings and structures No. 1399 Zhangheng Road Pudong New Area Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 20,000 sq.m., 8 buildings and various ancillary structures erected thereon completed in various stages between 2004 and 2006.</p> <p>The buildings have a total gross floor area of approximately 25,689.68 sq.m. and the approximate floor areas of each usage of the buildings are shown as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Industrial</td> <td style="text-align: right;">8,859.38</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">13,507.92</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">3,322.38</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">25,689.68</td> </tr> </tbody> </table> <p>The structures mainly include roads, sheds and boundary walls, etc.</p> <p>The land use rights of the property were granted for a term of 50 years commencing from July 10, 2002 and expiring on July 9, 2052 for industrial use.</p>	Use	Gross Floor Area (sq.m.)	Industrial	8,859.38	Office	13,507.92	Ancillary	3,322.38	Total	25,689.68	The property is currently occupied by the Group for industrial, office and ancillary purposes except for portions of 4 buildings which were leased to various connected parties for office and industrial use (see notes 2 to 4).	191,777,000 75% interest attributable to the Group: RMB143,833,000
Use	Gross Floor Area (sq.m.)													
Industrial	8,859.38													
Office	13,507.92													
Ancillary	3,322.38													
Total	25,689.68													

*Notes:*

- Pursuant to a Real Estate Title Certificate—Hu Fang Di Pu Zi (2010) Di No. 018998 dated March 5, 2010 issued by the Shanghai Housing and Land Resources Administration Bureau, 8 buildings with a total gross floor area of approximately 25,689.68 sq.m. are owned by Wison Engineering Ltd. ("Wison Engineering"), a 75% interest owned subsidiary of the Company. The land use rights of a parcel of land with a site area of approximately 20,000 sq.m. have been granted to Wison Engineering for a term of 50 years commencing from July 10, 2002 and expiring on July 9, 2052 for industrial use.
- Pursuant to a Tenancy Agreement dated May 10, 2011, entered into between Shanghai Zerun Biotechnology Co., Ltd. ("Zerun Biotech"), a connected party of the Company, and Wison Engineering, portions of Office Building Nos. 1 and 2 of the property with a total gross floor area of approximately 2,130.4 sq.m., and portions of Industrial Building No. 8 of the property with a total gross floor area of approximately 4,749.66 sq.m., were leased to Zerun Biotech for a term of 3 years commencing from January 1, 2011 at a total annual rent of RMB4,269,077.23, exclusive of management fees, water and electricity charges. Pursuant to an Amendment Agreement dated June 10, 2011, the area and total rent of the leased property were adjusted, so becoming that portions of Office Building Nos. 1 and 2 of the property with a total gross floor area of approximately 2,330.4 sq.m., and portions of Industrial Building No. 8 of the property, with a total gross floor area of approximately 5,049.66 sq.m., were leased to Zerun Biotech commencing from July 1, 2011 and expiring on December 31, 2013 at a total annual rent of RMB4,579,327.23, exclusive of management fees, water and electricity charges.

Pursuant to an Amendment Agreement dated December 20, 2011, entered into between Zerun Biotech, Genor BioPharma Co., Ltd. ("Genor BioPharma"), connected parties of the Company, and Wison Engineering, the area and total rent of the leased property were further adjusted, so becoming that portions of Office Building Nos. 1 and 2 of the property with a total gross floor area of approximately 2,840.54 sq.m., and portions of Industrial Building No. 8 of the property, with a total gross floor area of approximately 5,049.66 sq.m., were leased to Zerun Biotech commencing from January 1, 2012 and expiring on December 31, 2013 at a total annual rent of RMB4,895,869.1, exclusive of management fees, water and electricity charges.

3. Pursuant to a Tenancy Agreement dated May 10, 2011, entered into between Wison (Shanghai) Telecommunication Technology Co., Ltd. ("Wison Telecommunication"), a connected party of the Company, and Wison Engineering, a portion of Office Building No. 4 of the property with a gross floor area of approximately 718 sq.m. was leased to Wison Telecommunication for a term of 3 years commencing from January 1, 2011 at an annual rent of RMB466,484.6, exclusive of management fees, water and electricity charges.
4. Pursuant to a Tenancy Agreement dated May 10, 2011, entered into between Wison (Nantong) Heavy Industry Co., Ltd. ("Wison Nantong"), a connected party of the Company, and Wison Engineering, a portion of Office Building No. 4 of the property with a gross floor area of approximately 748 sq.m. was leased to Wison Nantong for a term of 3 years commencing from January 1, 2011 at an annual rent of RMB485,975.6, exclusive of management fees, water and electricity charges.
5. Pursuant to 2 Maximum Amount Mortgage Contracts dated April 13, 2010 and July 21, 2010, the property was subject to mortgages in favor of Agricultural Bank of China, Shanghai Jinqiao Sub-branch as security for bank loans with a total amount of RMB190,000,000 for various terms expiring on April 12, 2013 and July 20, 2013 respectively.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. Wison Engineering has legally obtained the land use rights of the property and has the rights to dispose of the land use rights of the property during the land use rights term;
  - b. Wison Engineering has legally obtained the building ownership rights of the property and has the rights to use, lease, transfer and mortgage or otherwise legally dispose of the buildings of the property; and
  - c. Without the mortgagee's consent, Wison Engineering may not transfer the mortgaged property during the mortgage term, unless the transferee pays off the debts on behalf of the mortgagor so as to terminate the mortgage right.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2012										
2.	3 parcels of land various buildings and structures located at Hanjiang Industry Park Yangzhou City Jiangsu Province The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 97,790.22 sq.m., 11 buildings and various ancillary structures erected thereon completed in various stages between 2005 and 2006.</p> <p>The buildings have a total gross floor area of approximately 29,144.56 sq.m. and the approximate floor areas of each usage of the buildings are shown as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Industrial</td> <td style="text-align: right;">21,740.10</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">3,620.30</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">3,784.16</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;">29,144.56</td> </tr> </tbody> </table> <p>The structures mainly include roads, shed and boundary walls, etc.</p> <p>The land use rights of the property were granted for terms of 50 years expiring on July 27, 2054 and December 23, 2055 for industrial use.</p>	Use	Gross Floor Area (sq.m.)	Industrial	21,740.10	Office	3,620.30	Ancillary	3,784.16	Total:	29,144.56	The property is currently occupied by the Group for industrial, office and ancillary purposes.	<b>RMB</b> 68,575,000 100% interest attributable to the Group RMB68,575,000
Use	Gross Floor Area (sq.m.)													
Industrial	21,740.10													
Office	3,620.30													
Ancillary	3,784.16													
Total:	29,144.56													

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates—Yang Han Guo Yong (2004) Nos. 04350-1 and 04350-2 dated January 15, 2007 and Yang Han Guo Yong (2005) No. 051834 dated December 30, 2005, the land use rights of 3 parcels of land with a total site area of approximately 97,790.22 sq.m. have been granted to Wison (Yangzhou) Chemical Machinery Co., Ltd. (“Wison Yangzhou”), an indirect wholly owned subsidiary of the Company, for terms of 50 years expiring on July 27, 2054 and December 23, 2055 for industrial use.
2. Pursuant to 10 Building Ownership Certificates—Yang Fang Quan Zheng Han Zi Nos. 025985 to 025987, 029094 to 029096, 037850 to 037851, 038083 and 039249, issued by the Real Estate Administrative Bureau of Yangzhou City, 10 buildings with a total gross floor area of approximately 29,114.84 sq.m. are owned by Wison Yangzhou.
3. For a gatehouse with a gross floor area of approximately 29.72 sq.m., we have not been provided with any title certificate.
4. In the valuation of this property, we have not attributed any commercial value to the building stated in note 3 which has not obtained any title certificate. However, for reference purposes, we are of the opinion that the depreciated replacement cost of this building (excluding the land) as at the date of valuation would be RMB52,000 assuming all relevant title ownership certificates have been obtained and the building could be freely transferred.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Wison Yangzhou has legally obtained the land use rights of the property and has the rights to dispose of the land use rights of the property during the land use rights term;
  - b. Wison Yangzhou has legally obtained the building ownership rights of the portions of the property stated in note 2 and has the rights to use, lease, transfer and mortgage or otherwise legally dispose of the buildings of the property; and
  - c. Wison Yangzhou will have the building ownership rights of the gatehouse stated in note 3 once the building ownership rights of the building are granted. Since the gross floor area of the gatehouse is in small percentage of the total gross floor area of the property and is for ancillary use by Wison Yangzhou, the lack of the title certificate of the gatehouse will not have material adverse impact on the operation of Wison Yangzhou.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2012
3.	Units 2601 to 2604 and Units 2701 to 2704 on Levels 26 and 27 SunCo First International Building No. 14 Shangwu Waihuan Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises 8 units on Levels 26 and 27 of a 27-storey office building completed in about 2008.  The property has a total gross floor area of approximately 2,397.56 sq.m.  The land use rights of the property were granted for a term of 40 years commencing from August 3, 2004 and expiring on August 3, 2044 for office use.	The property is currently occupied by the Group for office purpose.	<b>RMB</b> 47,808,000  75% interest attributable to the Group: RMB35,856,000

*Notes:*

- Pursuant to a Commodity Property Sale & Purchase Contract dated October 15, 2008, the property was purchased by Shanghai Wison Chemical Engineering Co., Ltd., the predecessor company of Wison Engineering Ltd. ("Wison Engineering"), a 75% interest owned subsidiary of the Company at a total consideration of RMB17,432,066.
- Pursuant to 8 Building Ownership Certificates—Zheng Fang Quan Zheng Zi Di Nos. 1201099232 to 1201099235, 1201099237, 1201099239, 1201099240 and 1201099242 issued by Zhengzhou Housing Administration Bureau, the property with a total gross floor area of approximately 2,397.56 sq.m. is owned by Wison Engineering.
- We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:  
Wison Engineering has legally obtained the building ownership rights of the property and has the rights to use, lease, transfer and mortgage or otherwise dispose of the property. Pursuant to Property Law of the People's Republic of China, when buildings are transferred, the land use rights covered by the aforesaid buildings shall be disposed of at the same time.

## VALUATION CERTIFICATE

## Group II—Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2012
				<i>RMB</i>
4.	A parcel of land (Lot No. B-3-6) and 7 buildings under construction No. 699 Zhongke Road Pudong New Area Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 43,044 sq.m., and 7 buildings (the "CIP buildings") which are being constructed thereon.  The property is scheduled to be completed in May 2013. Upon completion, the buildings of the property will have a total gross floor area of approximately 129,002 sq.m.  The land use rights of the property were granted for a term commencing from December 2, 2011 and expiring on November 29, 2056 for industrial use.	The property is currently under construction.	809,216,000  75% interest attributable to the Group: RMB606,912,000

*Notes:*

1. Pursuant to a Construction in Progress Transfer Contract dated December 2, 2011, entered into between Shanghai Zhangjiang (Group) Co., Ltd. and Wison Engineering Ltd. ("Wison Engineering"), a 75% interest owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 43,044 sq.m. and the buildings being constructed thereon with a total planned gross floor area of approximately 36,359 sq.m. at the date of transfer were agreed to be transferred to Wison Engineering for a term expiring on November 29, 2056 for industrial use at a total consideration of RMB303,523,471.62.
2. Pursuant to a Real Estate Title Certificate—Hu Fang Di Pu Zi (2012) Di No. 007140 dated March 1, 2012, the land use rights of a parcel of land with a site area of approximately 43,044 sq.m. have been granted to Wison Engineering for a term commencing from December 2, 2011 and expiring on November 29, 2056 for industrial use.
3. Pursuant to a Construction Work Planning Permit—Jian Zi Di No. (2011) FA31011520119057, the CIP buildings have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit—No. 310115201003190201, permission by the relevant local authority was given to commence the construction work of the CIP buildings.
5. As advised by Wison Engineering, the total construction cost of the CIP buildings is estimated to be approximately RMB932,000,000, of which RMB620,707,000 had been paid up to the date of valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. Wison Engineering has legally obtained the land use rights of the property and has the rights to dispose of the land use rights of the property during the land use rights term; and
  - b. Wison Engineering has obtained the requisite construction work planning and construction work commencement permit approvals stated in notes 3 and 4 and has the legal and complete construction rights of the CIP buildings.
7. Upon completion, the carrying amount of the property will probably be above 15% of total assets of the Group; we are of the view that the property is the material property held by the Group.



**Details of the material property**

- a) General description of location of the property : The property is situated at the northern side of Zhongke Road, the eastern side of Xiangyang Road, the western side of Jinke Road and the southern side of Haike Road in the Zhangjiang High-tech Park, Shanghai. The site of the property is in trapezium shape and the neighboring buildings consist mainly of low to medium rise industrial blocks.
- It is accessible to road traffic at various truck roads within the area connecting the property to the downtown area of Shanghai. Moreover, Shanghai Pudong International Airport is located at about 18km from the property at the south-eastern side of Shanghai.
- b) Details of encumbrances, liens, pledges or mortgages against the property : Nil
- c) Environmental issue : Pursuant to an approval of environmental impact report form—Hu Pu Huan Bao Huan Biao Jue Zi (2010) Di No. 467 dated April 27, 2010, permission by Shanghai Pudong New Area Environmental Protection and City Appearance Bureau was given to develop the property.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : As advised by Wison Engineering, the total construction cost of the CIP buildings is estimated to be approximately RMB932,000,000. The estimated amount of the outstanding construction cost of the CIP buildings as at the date of valuation is about RMB311,293,000 and they are scheduled to be completed in May 2013.

## VALUATION CERTIFICATE

## Group III—Property interest held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2012
				<i>RMB</i>
5.	Unit 3901 Tower 4 Beijing Fortune Center No. 7 East 3 <sup>rd</sup> Ring Middle Road Chaoyang District Beijing The PRC	The property comprises a unit on Level 39 of a 40-storey office building completed in about 2005.  The property has a gross floor area of approximately 676.56 sq.m.  The land use rights of the property were granted for a term expiring on May 13, 2053 for office use.	The property is currently leased to an independent third party for office use.	36,291,000  75% interest attributable to the Group: RMB27,218,000

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate—Jing Chao Si Guo Yong (2010 Chu) Di No. 0600915 dated February 4, 2010, issued by the Land Resources Bureau of Beijing, the land use rights of a parcel of land with an apportioned site area of approximately 93.42 sq.m. have been granted to Wison Engineering Ltd. (“Wison Engineering”), a 75% interest owned subsidiary of the Company, for a term expiring on May 13, 2053 for office use.
- Pursuant to a Building Ownership Certificate—X Jing Fang Quan Zheng Chao Zi Di No. 797360, issued by Construction Committee of Beijing, the property with a gross floor area of approximately 676.56 sq.m. is owned by Wison Engineering.
- According to a Tenancy Agreement dated March 16, 2012, entered into between Goral Holdings Co., Ltd. (高能控股有限公司, an independent third party, the “Lessee”) and Wison Engineering, the property with a gross floor area of approximately 676.56 sq.m. was leased to the Lessee for a term of 1 year commencing from April 28, 2012 and expiring on April 27, 2013 at a monthly rent of RMB175,877.41, exclusive of management fee, water and electricity charges.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:  
Wison Engineering has legally obtained the land use rights and building ownership rights of the property and has the rights to use, lease, transfer and mortgage or otherwise legally dispose of the property.

**OVERVIEW**

On July 5, 2011, Wison Holding and the Pre-IPO Investors, namely BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising, Huadian, Huaneng Invesco WLR, Sincere, Hao Peng, Stone Capital and Feixl entered into eight separate Subscription Agreements. Pursuant to the Subscription Agreements, Wison Holding agreed to issue the Bonds to each Pre-IPO Investor, respectively. The consideration for the Bonds (as defined below) was paid on July 6, 2011. The gross proceeds of US\$95 million from the investment were used to fund the discharge or repayment of certain payables and loans owed by the Wison Holding group of companies (which are not within our Group) to members of our Group and to fund the payment of fees and expenses due and payable under or in connection with the investment. Wison Holding subsequently redeemed the Bonds issued to Huadian on June 20, 2012 and Huaneng Invesco WLR, Credit Suisse and UOB on June 25, 2012, respectively. See “—Redemption of the Bonds issued to Huadian, Huaneng Invesco WLR, Credit Suisse and UOB by Wison Holding” below for further details. On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders.

**BACKGROUND OF THE INVESTORS**

BOCOM International Holdings Company Limited is a company incorporated in Hong Kong and a wholly owned subsidiary of Bank of Communications Co., Ltd. (交通銀行股份有限公司), whose H shares are listed on the Main Board of the Stock Exchange (stock code: 3328). BOCOM is principally engaged in investment holding, proprietary trading, and direct investments. BOCOM’s subsidiaries include, among others, BOCOM International (Asia) Limited, BOCOM International Securities Limited and BOCOM International Asset Management Limited. These subsidiaries are principally engaged in investment banking, securities brokerage and asset management business, respectively. BOCOM International Holdings Company Limited is an Independent Third Party.

Credit Suisse AG, Singapore Branch is the Singapore branch of Credit Suisse AG which is an international financial services firm incorporated in Switzerland. Credit Suisse AG, Singapore Branch was registered in Singapore on March 8, 1973 and its registered office is at 1 Raffles Link, #03-01 One Raffles Link, Singapore, 039393. The business of Credit Suisse AG, Singapore Branch includes private banking and investment banking. Credit Suisse AG Singapore Branch is an Independent Third Party.

UOB was incorporated in Singapore on August 6, 1935 as The United Chinese Bank Limited. UOB catered mainly to the Fujian community in its early years. The change of name was effected in 1965. Through a series of acquisitions, UOB is now a leading bank in Asia. Besides Far Eastern Bank in Singapore, UOB’s major banking subsidiaries in the region are United Overseas Bank (Malaysia), United Overseas Bank (Thai), PT Bank UOB Buana and United Overseas Bank (China). Today, the UOB Group has a network of over 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. UOB is an Independent Third Party.

Gold Prosperity is a company incorporated in the BVI with limited liability on May 30, 2011 and is an Independent Third Party and a wholly owned subsidiary of BOCOM International China Fund L.P., whose general partner is BOCOM International China Fund

G.P., a wholly owned subsidiary of BOCOM International Holdings Company Limited, which in turn is a wholly owned subsidiary of Bank of Communications Co., Ltd.

Sun-Rising is a company incorporated under the laws of Hong Kong with limited liability on September 17, 2010. Sun-Rising is owned by 11 individuals, all of whom are Independent Third Parties, as to 57.2% by Zhou Shilin, 0.6% by Ma Ying, 1.3% by Zhao Xiaowu, 2.7% by Xiang Rongbo, 7.8% by Liu Weidong, 3.2% by Liu Hong, 3.9% by Zheng Lan, 3.7% by He Jing, 6.3% by Sun Yuping, 4.1% by Zou Hong and 9.1% by Yang Shiyong.

Huadian is a company incorporated under the laws of Hong Kong with limited liability on June 14, 2006 and is an Independent Third Party and a wholly owned subsidiary of China Huadian Corporation (中國華電集團公司), a wholly state-owned enterprise established in the PRC and one of the five largest state-owned power generation enterprises in the PRC.

Huaneng Invesco WLR is a company incorporated under the laws of Hong Kong with limited liability on December 1, 2010 and is an Independent Third Party wholly owned by WLR China Energy Infrastructure Fund L.P. WLR China Energy Infrastructure Fund L.P. is an investment fund established in the Cayman Islands as an exempted limited partnership and its primary objective is to generate capital appreciation and yield, through equity-related investments in energy infrastructure and related businesses such as clean and renewable energy, clean energy technology, energy distribution and services primarily located in China.

Sincere is a company incorporated under the laws of Hong Kong with limited liability on December 5, 2003. Sincere is wholly-owned by New Huadu Industrial Group Co., Ltd. (新華都實業集團股份有限公司), which is a private company and an Independent Third Party.

Hao Peng is a company incorporated in the BVI with limited liability on October 29, 2010. Hao Peng is owned by Zhang Fengying as to 20%, Wang Gengyu as to 20% and Huada Investment Limited as to 60%, which is wholly owned by Cheung Wing Hon, who are all Independent Third Parties.

Stone Capital is a company incorporated in the BVI with limited liability on June 26, 2009. Stone Capital is wholly owned by Stone (Hong Kong) International Co., Limited (磐石(香港)國際有限公司), an Independent Third Party.

Feixl is a company incorporated in the BVI with limited liability on June 2, 2011. Feixl is owned as to 50% by Qiu Fei and as to 50% by Pan Xiaoli, both of whom are Independent Third Parties.

The investment by the Pre-IPO Investors into our Group is an investment with the primary goal to enhance our Company's shareholder profile and growth prospects. In particular, BOCOM, Credit Suisse and UOB are leading international investment and advisory firms. Our Directors believe that the benefits of bringing in BOCOM, Credit Suisse and UOB as investors are that they provide assistance to our Company in key aspects of our management and operations, including corporate governance and business relationship development. In relation to our business relationship development, the global network of BOCOM, Credit Suisse and UOB and the diverse and significant number of portfolio companies they manage means that our Company is able to leverage from the contacts that

BOCOM, Credit Suisse and UOB have, and in particular, the fact that they are able to introduce to our Company, senior executives at global organizations that have the potential to do business with our Company.

### PRE-IPO INVESTMENT

On July 5, 2011, Wison Holding as the issuer and the Pre-IPO Investors as the subscribers entered into the Subscription Agreements with Wison Investment, our Company, Wison Technology, Wison Energy (HK), and Wison Singapore as guarantors. Pursuant to the Subscription Agreements, Wison Holding agreed to issue the Bonds as follows:

	Subscriber(s)	Description
1	<ul style="list-style-type: none"> <li>● BOCOM;</li> <li>● Credit Suisse;</li> <li>● UOB; and</li> <li>● Gold Prosperity</li> </ul>	US\$50,000,000 zero coupon secured exchangeable bonds due 2013 (Note: As to US\$27,000,000 subscribed by BOCOM, US\$10,000,000 subscribed by Credit Suisse, US\$8,000,000 subscribed by UOB and US\$5,000,000 subscribed by Gold Prosperity.)
2	Sun-Rising	US\$13,000,000 zero coupon secured exchangeable bonds due 2013
3	Huadian	US\$5,000,000 zero coupon secured exchangeable bonds due 2013
4	Huaneng Invesco WLR	US\$10,000,000 zero coupon secured exchangeable bonds due 2013
5	Sincere	US\$5,000,000 zero coupon secured exchangeable bonds due 2013
6	Hao Peng	US\$5,000,000 zero coupon secured exchangeable bonds due 2013
7	Stone Capital	US\$3,000,000 zero coupon secured exchangeable bonds due 2013
8	Feixl	US\$4,000,000 zero coupon secured exchangeable bonds due 2013

On July 5, 2011, in connection with the Subscription Agreements, the Pre-IPO Investors also entered into eight separate majority shareholder undertakings with Wison Holding, our Company, Wison Investment and Mr. Hua (the “**Majority Shareholder Undertakings**”).

Closing of the Subscription Agreements took place on July 6, 2011. Please refer to the table below for the shareholding of each Pre-IPO Investor upon Listing:

Name of Pre-IPO Investor	Number of Shares held upon Listing	Cost per Share paid by each Pre-IPO Investor (HK\$) <sup>(1)</sup>	Respective discount to the Offer Price <sup>(2)</sup> (%)	Approximate percentage of shareholding of our Company's issued share capital after Capitalization Issue but immediately before completion of Global Offering (%)	Approximate percentage of shareholding of our Company's issued share capital upon Listing (%)
BOCOM	95,040,000	2.21	29.94	2.70	2.38
Gold Prosperity	17,600,000	2.21	29.94	0.50	0.44
Sun-Rising	52,000,000 <sup>(3)</sup>	1.95	38.35	1.59	1.30 <sup>(3)</sup>
Sincere	17,600,000	2.21	29.94	0.50	0.44
Hao Peng	17,600,000	2.21	29.94	0.50	0.44
Stone Capital	10,560,000	2.21	29.94	0.30	0.26
Feixl	14,080,000	2.21	29.94	0.40	0.35

Notes:

(1) Converted from U.S. dollars into HK dollars at the rate of US\$1 = HK\$7.7930.

(2) Assuming an Offer Price of HK\$3.16 per Share (being the mid-point of the indicative Offer Price range of HK\$2.79 to HK\$3.53 per Share).

(3) After the Sun-Rising Adjustment.

## PRINCIPAL TERMS OF THE BONDS

The principal terms and conditions of the Bonds are as follows:

Issue price:	100% of the principal amount of the Bonds.
Interest:	Zero coupon.
Settlement and payment:	July 6, 2011.
Maturity Date:	January 6, 2013.
Exchange Ratio <sup>1</sup> :	The Bonds are exchangeable for Shares held by Wison Investment. The number of Shares to be issued on exchange of the Bonds will be

1 The Exchange Ratio is different for Sun-Rising, which is:

$$\text{initial Exchange Ratio} = \frac{\text{principal amount of Bond(s) to be exchanged in (US\$)}}{\text{US\$1,000,000,000}} \times 1.2195$$

In the event that the number of Shares held by Sun-Rising immediately after the Qualifying IPO divided by the total number of Shares issued and outstanding immediately after the Qualifying IPO (excluding any shares that maybe issued for the purposes of the Over-allotment Option) (the "Exchanged Share Ratio") is not equal to:

$$\frac{\text{principal amount of Bonds to be exchanged in (US\$)}}{\text{US\$1,000,000,000}}$$

(the "IPO Exchange Ratio"), the number of Shares held by the Bondholders shall be adjusted such that the Exchanged Share Ratio shall be equal to the IPO Exchange Ratio by transferring Shares in the Company to Sun-Rising or Wison Investment (as the case may be) at nil consideration within two Business Days after the Lock-up Period Expiry Date (as defined in the Majority Shareholder Undertaking i.e. (if there is a Lock-up Period (as defined in the Majority Shareholder Undertaking i.e. the period (if any) following the Listing during which Sun-Rising is prohibited from trading Shares)) the date of expiry of the Lock-up Period or (if there is no Lock-up Period) the date that is 16 Business Days after the date of the Qualifying IPO) (the "Sun-Rising Adjustment").



determined by multiplying the total number of Shares in our Company immediately prior to the exchange date (being five Business Days prior to the listing hearing by the Stock Exchange (the “**Exchange Date**”)) on a fully diluted basis by the Exchange Ratio (as defined below), subject to the adjusted Exchange Ratio as detailed below.

The initial Exchange Ratio shall be calculated in accordance with the following formula:

$$\text{initial Exchange Ratio} = \frac{\text{principal amount of Bond(s) to be exchanged (in US\$)}}{\text{US\$1,000,000,000}}$$

If the consolidated audited after-tax net profit of Wison Engineering for the year ended December 31, 2010 (the “**2010 Actual Net Profit**”), as audited by the Approved Audit Firm (being any one of Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers), is (or the equivalent thereof in RMB is) less than RMB600,000,000, the Exchange Ratio shall be reset in accordance with the following formula:

$$\text{adjusted Exchange Ratio} = \frac{\text{Exchange Ratio (immediately prior to such adjustment)} \times \text{RMB 600,000,000}}{\text{2010 Actual Net Profit}}$$

The 2010 Actual Net Profit was RMB639,781,556.24 and hence the share conversion ratio shall not be based on the adjusted Exchange Ratio.

Mandatory  
Exchange Date:

The day immediately preceding the date being four Business Days prior to the Listing hearing or such other day as the Stock Exchange may agree or direct.

Upon the giving by Wison Holding of a mandatory exchange notice (“**Mandatory Exchange Notice**”), each Holder must, by the date falling not later than two Business Days before the Mandatory Exchange Date as notified by Wison Holding in such Mandatory Exchange Notice, complete, execute and deposit at its own expense during normal business hours at the specified office of any exchange agent an exchange notice (the “**Exchange Notice**”) in duplicate in the form (for the time being current) obtainable from the specified office of each agent, together with the relevant certificate and any amounts required to be paid by that Holder. An Exchange Notice once delivered shall be irrevocable and may not be withdrawn unless Wison Holding consents in writing to such withdrawal.

Status of the  
Bonds:

The Bonds constitute direct, unconditional, secured and unsubordinated obligations of our Company, as one of the guarantors, and shall rank (a) senior to the share capital of our Company from time to time, and (b) at least *pari passu* with all other present and future unsecured and unsubordinated obligations of our Company, save for such obligations as may be preferred by mandatory provisions of law.

Transferability: The Bonds may be transferred by delivery of the certificate issued in respect of those Bonds, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorized in writing, to the specified office of Bank of Communications Trustee Limited (the “**Registrar**”) or any transfer agent at the times specified below:

- (a) at all times after the date falling 40 Business Days from the Issue Date (being July 6, 2011) (the “**initial 40-day restriction period**”), provided that the foregoing permission under this paragraph (a) shall cease to apply for so long as the submission of any listing application form for equity securities and debt securities (Form A1) (the “**A1-filing**”) has been successfully made to the Stock Exchange and has not been withdrawn, rejected or terminated;
- (b) at all times after December 31, 2011 (the “**long-stop date**”) (unless extended with the agreement of the Holders as described below, in which case the date shall be March 31, 2012);
- (c) for so long as any Event of Default (as defined below) has occurred and is continuing; and
- (d) at any time after an A-1 filing has been successfully made to the Stock Exchange, provided that the Stock Exchange shall have (i) confirmed that such transfer will not have an adverse impact on the proposed Listing or the timing thereof, or (ii) failed to respond to any request for such confirmation within 10 Business Days from the date a request for such confirmation is made to the Stock Exchange.

In the event that Listing does not occur by December 31, 2011, Wison Holding shall provide evidence satisfactory to the Holders, not less than five Business Days prior to December 31, 2011, that the Listing is still scheduled to occur and/or our Company is still actively pursuing the Listing (including, without limitation, evidence of payment of listing fees to extend the listing application beyond six months from the date of A-1 listing application and that the Stock Exchange is vetting such listing application) to seek approval from the Holders to extend the long-stop date to March 31, 2012.

No transfer of title to a Bond will be valid or effective unless and until entered on the register of the Bonds.

Exchanged Shares: *Maturity:*

January 6, 2013

*Redemption:*

Unless previously redeemed, exchanged or purchased and cancelled, Wison Holding will redeem each Bond at the redemption amount (being  $1+(20\% \times 1.5) \times \text{US}\$100,000$ ) (the “**Redemption Amount**”) for each principal amount of US\$100,000 on January 6, 2013.

*Default redemption events:*

For so long as any Bonds remain outstanding, the Holders may give notice to Wison Holding and to the Guarantors to declare that the Bonds are, and they shall accordingly become, immediately due and repayable at the Redemption Amount if an Event of Default (as defined below) has occurred, provided that, in case such Events of Default do not constitute a material Event of Default, the Holders shall not be entitled to direct the security trustee to exercise any or all of its rights, remedies, powers or discretions in relation to the Security (as defined below).

If a material Event of Default occurs after a notice is delivered to Wison Holding and the Guarantors, the Holders shall be entitled to revoke all or any part of such notice and deliver other notices to Wison Holding. The Holders shall be entitled to direct the security trustee to exercise any or all of its rights, remedies, powers or discretions immediately or at any other time that it sees fit.

Key events of default:

- (a) Any Obligor (namely, Wison Investment, Wison Holding, Wison Technology, Wison Energy (HK), Wison Singapore, our Company, Wison Offshore & Marine or Wison Chemical) does not pay on the due date any amount pursuant to an Issue Document (as defined in the Subscription Agreements) at the place at and in the currency in which it is expressed to be payable unless:
  - (i) its failure to pay is caused by administrative or technical error; and
  - (ii) payment is made within two Business Days of its due date;
- (b) any representation or statement made or deemed to be made by any Obligor in any or all of the Issue Documents or any other document delivered by or on behalf of any Obligor under or in connection with any Issue Document (as defined in the Subscription Agreements) is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;

- (c) Wison Holding, Wison Investment or any member of our Group is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (d) the consolidated fair value of the assets of (i) Wison Investment and its subsidiaries, or (ii) our Group is less than their consolidated liabilities (taking into account contingent and prospective liabilities);
- (e) the fair market value of Wison Investment, Wison Energy (HK) or any member of our Group which is incorporated in the PRC is less than its liabilities (taking into account contingent and prospective liabilities);
- (f) a moratorium is declared in respect of any indebtedness of Wison Holding, Wison Investment or any member of our Group;
- (g) any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of Wison Holding, Wison Investment or any member of our Group;
  - (ii) a composition, compromise, assignment or arrangement with any creditor of any member of Wison Holding, Wison Investment or any member of our Group;
  - (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, judicial manager, compulsory or interim manager or other similar officer in respect of any member of our Group or any of the assets of any member of Wison Holding, Wison Investment or any member of our Group; or
  - (iv) enforcement of any security over any assets of Wison Holding, Wison Investment or any member of our Group, or any analogous procedure or step is taken in any jurisdiction;
- (h) any Guarantor incorporated in Singapore is declared by the Singapore Minister of Finance to be a company to which Part IX of the Companies Act, Chapter 50 of Singapore applies;
- (i) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of Wison Holding, Wison Investment or any member of our Group;

- (j) Wison Holding, Wison Investment or any member of our Group fails to comply with or pay any sum due from it under any final judgment or order made or given by any court of competent jurisdiction;
- (k)
  - (i) Mr. Hua does not or ceases to beneficially own, directly or indirectly, 100% of the shares (of each class) of and equity interests in Wison Holding, free and clear of any security; or exercise, or is not or ceases to be entitled to exercise, management control over Wison Holding;
  - (ii) Wison Holding does not or ceases to beneficially own, directly or indirectly, 100% of the shares (of each class) of and equity interests in Wison Investment, free and clear of any security (other than Transaction Security); or exercise, or is not or ceases to be entitled to exercise, management control over Wison Investment;
  - (iii) at any time prior to the occurrence of the Listing, Wison Investment does not or ceases to directly legally and beneficially own 100% of the shares (of each class) of and equity interests in our Company free and clear of any security (other than Transaction Security), provided that any reduction in such shareholding percentage which occurs as a result of the exchange of any Bonds for the shares in our Company in accordance with the terms of the Issue Documents, any other New EB Document (as defined in the Subscription Agreements) or the Additional EB Documents (as defined in the Subscription Agreements) shall not constitute an Event of Default if Wison Investment continues to directly legally and beneficially own (immediately after such exchange) at least 88% of the shares (of each class) of and equity interests in our Company; or exercise, or is not or ceases to be entitled to exercise, management control over our Company;
  - (iv) our Company does not or ceases to beneficially own 100% of the shares (of each class) of and equity interests in each of our wholly owned Subsidiaries; or beneficially own at least 75% of the equity interests in Wison Engineering; or exercise, or is not or ceases to be entitled to exercise, management control over any such wholly owned Subsidiary or Wison Engineering;
- (l) the net profit of Wison Engineering after taxation (as determined from the audited unconsolidated financial statements of Wison Engineering delivered to the trustee) for the financial year ended December 31, 2011 is less than (or the equivalent thereof in RMB is less than) RMB700,000,000. The net profit of Wison Engineering after taxation for the financial year ended December 31, 2011 exceeded RMB700,000,000;

- (m) any member of our Group ceases to carry on or suspends all or a substantial part of its business;
- (n) any investigation, litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a material adverse effect have been commenced, or are pending, against any member of our Group;
- (o) any event or circumstance occurs (including, without limitation, an act by Wison Holding, Wison Investment or any of their respective subsidiaries) which the Bond holders reasonably believe might have a material adverse effect;
- (p) the aggregate value of new contracts entered into by Wison Engineering with any client (which is not Wison Holding, Wison Investment or a member of our Group) in connection with the supply of any engineering, procurement and/or construction services:
  - (i) during the period starting from January 1, 2011 and ending on June 30, 2011 is less than (or the equivalent thereof in RMB is less than) RMB5,000,000,000; or
  - (ii) during the period starting from January 1, 2011 and ending on December 31, 2011 is less than (or the equivalent thereof in RMB is less than) RMB10,000,000,000.

For the purpose of testing compliance with the above, any such new contract shall only be taken into account if it has not been terminated, rescinded, superseded or cancelled as at (A) the end of the applicable period and (B) the date of the certificate (with respect to such period) delivered to Bank of Communications Trustee Limited and it is entered into by Wison Engineering on arm's length commercial terms and for genuine commercial purpose(s), and if, after the date of such new contract, the value thereof is reduced for any reason, only the current value of such new contract (as at the date of such certificate) shall be taken into account.

Our Directors confirmed that the aggregate value of new contracts entered into by Wison Engineering in connection with the supply of any engineering, procurement and/or construction services for the period from January 1, 2011 to June 30, 2011 was not less than RMB5 billion and for the period from January 1, 2011 to December 31, 2011 was not less than RMB10 billion; and

- (q) the related party transactions are not terminated within the date falling three months after July 6, 2011.

Our Group has not been notified of any of the key events of default by the relevant parties.



**SECURITY**

In connection with the issuance of the Bonds and the term loan facility granted under the Facility Agreement, the following debentures, charges and mortgages were provided in favor of the Holders and the Lenders (the “**Security**”):

- (a) a composite charge over accounts entered into by each of Wison Holding, Wison Investment, the Company, Wison Technology, Wison Energy (HK), Wison Offshore & Marine and Wison Chemical on July 6, 2011 pursuant to which, among other things, each of Wison Holding, Wison Investment, our Company, Wison Technology, Wison Energy (HK), Wison Offshore & Marine and Wison Chemical grants security over certain bank accounts in respect of the proceeds of the issuance of the Bonds and the funds advanced under the Facility Agreement for the benefit of the Holders and the Lenders;
- (b) an assignment of loans entered into by, among others, Wison Holding, Wison Offshore & Marine and Wison Chemical on July 6, 2011 pursuant to which, among other things, Wison Holding grants security over certain intercompany loans for the benefit of the Holders and the Lenders;
- (c) a share mortgage entered into by Wison Holding on July 6, 2011 pursuant to which, among other things, Wison Holding grants security for the benefit of the Holders and the Lenders over all of its shares in Wison Investment;
- (d) a debenture entered into by Wison Investment on July 6, 2011 pursuant to which, among other things, Wison Investment grants security for the benefit of the Holders and the Lenders over all of its assets and undertakings;
- (e) a share mortgage entered into by Wison Investment on July 6, 2011 pursuant to which, among other things, Wison Investment grants security for the benefit of the Holders and the Lenders over all of its shares in our Company;
- (f) a debenture entered into by our Company on July 6, 2011 pursuant to which, among other things, our Company grants security for the benefit of the Holders and the Lenders over all of its assets and undertakings;
- (g) a share mortgage entered into by our Company on July 6, 2011 pursuant to which, among other things, our Company grants security for the benefit of the Holders and the Lenders over all of its shares in Wison Technology;
- (h) a debenture entered into by Wison Technology on July 6, 2011 pursuant to which, among other things, Wison Technology grants security for the benefit of the Holders and the Lenders over all of its assets and undertakings;
- (i) a share charge entered into by Wison Technology on July 6, 2011 pursuant to which, among other things, Wison Technology grants security for the benefit of the Holders and the Lenders over all of its shares in Wison Energy (HK);
- (j) a debenture entered into by Wison Energy (HK) on September 1, 2011 pursuant to which, among other things, Wison Energy (HK) grants security for the benefit of

the Holders and the Lenders over all of its assets and undertakings (other than the shares and/or equity interests in Wison Engineering and Wison Yangzhou);

- (k) a share charge entered into by Wison Energy (HK) on July 6, 2011 pursuant to which, among other things, Wison Energy (HK) grants security for the benefit of the Holders and the Lenders over all of its shares in Wison Singapore; and
- (l) a debenture entered into by Wison Singapore on July 6, 2011 pursuant to which, among other things, Wison Singapore grants security for the benefit of the Holders and the Lenders over all of its assets and undertakings.

The Security will be released, among other events, at the time immediately prior to the Listing.

#### **RIGHTS GRANTED TO THE RESPECTIVE INVESTORS UNDER THE MAJORITY SHAREHOLDER UNDERTAKINGS AND THE SUBSCRIPTION AGREEMENTS**

Under the Majority Shareholder Undertakings and the Subscription Agreements, the Pre-IPO Investors are entitled to the following specific rights, all of which shall cease to have any effect immediately before the completion of the Listing. Pursuant to a letter dated December 3 2012, the Remaining Pre-IPO Investors agreed without any consideration to terminate the Majority Shareholder Undertakings if the Listing occurs on or before December 31, 2012.

##### ***(a) Observer***

This specific right is available to BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising and Huadian. BOCOM, Credit Suisse, UOB, Gold Prosperity, Sun-Rising and Huadian have the right, prior to the completion of the Listing, to appoint, and we agree to ensure the appointment of, an observer to our Board (the “**Observer**”). The Observer:

- (i) has the right to attend all meetings of our Board and any committees of our Board;
- (ii) is given all the information that Directors receive at the same time as they receive it (including notice of meetings);
- (iii) has the right to pass any such information to the Holders; and
- (iv) is entitled to attend and speak at meetings of our Board and any committees of our Board (it being acknowledged that the Observer shall not be entitled to vote, nor shall the Observer be, or be regarded as, an officer of our Company, nor shall the Observer be counted in the quorum of any meeting of our Board or committee of our Board).

##### ***(b) Pre-emption rights***

Our Company will not, and it will procure that no other member of our Group will, allot, issue or grant any right to subscribe for, or to convert securities into, Shares or equity share capital of any member of our Group unless the Pre-IPO Investors are offered in the first instance, on the same terms, a pro rata participation in the allotment, issue or grant in the

same proportion of the total allotment, issue or grant as the Pre-IPO Investors' notional shareholding in our Company bears to the entire issued share capital of our Company immediately prior to such allotment, issue or grant. Such pre-emption rights cease to apply with effect from the Listing Date.

***(c) Information rights***

The Pre-IPO Investors, as opposed to any individual Shareholder, shall be entitled to inspect, as soon as the same become available but in any event within 90 days after the end of each of its financial years, an annual budget of each of our Company, Wison Technology, Wison Energy (HK), Wison Singapore and any member of our Group that is incorporated in the PRC, for the next financial year.

The Pre-IPO Investors also have the right to:

- (i) within 30 days after June 30, 2011 and December 31, 2011, respectively, a certificate signed by the chief financial officer or a director of Wison Engineering:
  - (A) setting out the aggregate value of new contracts which shall be taken into account to determine whether the requirement set out in client contracts of Events of Default in respect of the six-month period ending on June 30, 2011 or the 12-month period ending on December 31, 2011 (as applicable) has been satisfied;
  - (B) certifying that, as at the last day of such period and the date of such certificate, such new contracts have not been terminated, rescinded, superseded or cancelled, and the value thereof has not been reduced; and
  - (C) certifying that, each of such new contracts was entered into by Wison Engineering on arm's length commercial terms and for genuine commercial purpose(s);
- (ii) all documents dispatched by Wison Holding, Wison Investment or any member of our Group to their respective shareholders (or any class of them) or all or a substantial number or portion of its creditors generally at the same time as they are dispatched;
- (iii) promptly upon becoming aware of them, the details of any investigation, litigation, arbitration or administrative proceedings which are current, threatened or pending against Wison Holding, Wison Investment or any member of our Group which, if adversely determined, are reasonably likely to have a material adverse effect or which would involve a liability, or a potential or alleged liability, exceeding (or the equivalent thereof in RMB exceeding) RMB20,000,000;
- (iv) promptly, such further information regarding the financial condition, business and operations of Wison Holding, Wison Investment or any member of our Group, as any Bonds holders (through the trustee) may reasonably request; and
- (v) promptly, notice of any change in authorized signatories of any Obligor.

**Lock-up arrangement**

Pursuant to the Majority Shareholder Undertakings, the Pre-IPO Investors agreed that they will not transfer any Shares for 180 days following the date of the Qualifying IPO if an underwriter of the Qualifying IPO or the Stock Exchange prohibits them from doing so. The Underwriters have confirmed that they will not so prohibit BOCOM and Gold Prosperity and have notified each of Sun-Rising, Sincere, Hao Peng, Stone Capital and Feixl (all of which have acknowledged such notification) that they are required to comply with such prohibition.

Pursuant to a letter dated December 3, 2012, the Remaining Pre-IPO Investors agreed without any consideration to (i) refrain from exercising their rights under the Majority Shareholder Undertakings (all of which cease to have any effect immediately before the completion of the Listing) from the date of that letter until December 31, 2012; and (ii) deem the Listing to be a Qualifying IPO.

**PUT OPTIONS****(a) First put option if Listing does not occur:**

Wisom Holding irrevocably granted to each Holder an option to sell, and to require Wisom Holding to buy, all but not some only of the Shares held by such Holder.

***Exercise of first put option***

If, before our Company passes the Listing hearing, a Holder exchanges any of the Bonds held by it into Shares, and the Listing is not completed within four months of mandatory exchange of the Bonds, each Holder may at any time thereafter (but no later than ten Business Days thereafter) exercise the first put option by delivering to Wisom Holding a put option notice (the **"Put Option Notice"**) (the **"Put Option"**). The Put Option Notice must specify the completion date, which must be a Business Day not less than two Business Days after the date on which the Put Option Notice was deemed to be received by Wisom Holding. For the avoidance of doubt, each Holder has an independent right to exercise, or refrain from exercising, its put option.

Each Holder (by delivering a Put Option Notice) agrees to sell and Wisom Holding agrees to buy the Shares held by such Holder and each right attaching to such Shares at the relevant completion date, including, without limitation, the right to receive any dividend, distribution or return of capital declared, paid or made in respect of the relevant Shares in respect of periods starting on or after the relevant completion date. As full and final settlement of consideration in exchange for the relevant Shares to be transferred pursuant to the exercise of the Put Option, Wisom Holding shall issue, or procure the issuance to the relevant Holder, new exchangeable bonds with an aggregate principal amount equal to the principal amount of the Bonds that had been exchanged into such Shares and on the same terms and conditions as the Bonds with the same Security. Once given, a Put Option Notice may not be revoked without the consent in writing of Wisom Holding.

If the Put Option Notice is terminated by the Holder as a result of a default by Wisom Holding, Wisom Holding shall immediately pay to the relevant Holder such Holder's aggregate amount of subscription price (the **"Investment Amount"**) with an annual rate of return (**"Annual Rate of Return"**) (as at the relevant date of determination, being the date of payment) of 25% on the Investment Amount.

**(b) Second put option if annual rate of return is not met**

Conditional upon the occurrence of the Listing, Wison Holding irrevocably granted to each Holder an option to: (i) sell, and to require Wison Holding to buy, all but not some only of the Shares held by such Holder at the “Option Price” in accordance with “Exercise of Second Put Option” below; or (ii) if a Holder chooses to retain the Shares held by such Holder, require Wison Holding to pay the Top-up Prices in accordance with the formula as stated in “Exercise of Second Put Option” below (the “**Second Put Option**”), where:

- Option Price = Such Holder’s Investment Amount plus additional amount that would provide such Holder with an Annual Rate of Return of 25% on such Holder’s Investment Amount
- Top-up Price = Option Price - (P x N)

“P” = the average closing price per Share quoted on the Stock Exchange for the 15 consecutive trading days preceding the Lock-up Period Expiry Date, provided that, in the event that there is less than 15 consecutive trading days preceding the Lock-up Period Expiry Date, “P” equals the average closing price per Share quoted on the Stock Exchange for all of the trading days preceding the Lock-up Period Expiry Date; and

“N” = the number of Shares held by such Holder.

For the avoidance of doubt, each Holder’s right to exercise the Second Put Option shall expire on the 21st Business Day after the Lock-up Period Expiry Date (i.e. the date of expiry of the Lock-up Period (being the period (if any) following the Listing during which any Holder is prohibited from trading Shares).

***Exercise of Second Put Option***

After the occurrence of the Listing, if (as at the Lock-up Period Expiry Date) the Annual Rate of Return on a Holder’s Investment Amount is less than 25%, such Holder may, within 20 Business Days of the Lock-up Period Expiry Date (“**Second Put Option Period**”), exercise the Second Put Option by delivering to Wison Holding a Second Put Option Notice. The Second Put Option Notice must specify the closing date which must be a Business Day falling no later than the date that is 30 Business Days after the Lock-up Period Expiry Date. For the avoidance of doubt, each Holder has an independent right to exercise, or refrain from exercising, its Second Put Option. Once given, a Second Put Option Notice may not be revoked without the consent in writing of Wison Holding.

For the purposes of the Second Put Option, the Annual Rate of Return on the Investment Amount for purposes of determining whether or not it is less than 25% shall be calculated in accordance with the following formula:

$$((P \times N - I) / I) \times (360 / D) \times 100\%$$

Where:

“P” = the average closing price per Share quoted on the Stock Exchange for the 15 consecutive trading days preceding the Lock-up Period Expiry Date, provided that,

in the event that there is less than 15 consecutive trading days preceding the Lock-up Period Expiry Date, “P” equals the average closing price per Share quoted on the Stock Exchange for all of the trading days preceding the Lock-up Period Expiry Date;

“N” = the number of Shares held by such Holder;

“I” = the Investment Amount of such Holder; and

“D” = the number of days from the Issue Date to the Lock-up Period Expiry Date.

Alternatively, if a Holder elects in its Second Put Option Notice to retain its Shares, at the relevant closing date, Wison Holding shall pay the Top-up Price (as defined above) to the relevant Holder or as the relevant Holder directs in writing in immediately available funds by electronic transfer for same day value without any condition, restriction, set-off, deduction or withholding.

In other words, the above mechanism will provide an annual rate of return of 25% to the Holder.

Other than those Pre-IPO Investors whose Bonds have been redeemed, the Second Put Options of the Pre-IPO Investors have been terminated without any consideration on June 1, 2012. See “Termination of the Second Put Option” below for further details.

**(c) Third put option if Listing does not occur**

Wison Holding irrevocably granted to each Holder an option to sell, and to require Wison Holding to buy, all but not some only of the Shares held by such Holder (the “**Third Put Option**”).

***Exercise of Third Put Option***

Each Holder may, within 20 Business Days before the Maturity Date (as defined above), exercise the Third Put Option by delivering to Wison Holding a Third Put Option Notice. For the avoidance of doubt, each Holder has an independent right to exercise, or refrain from exercising, its Third Put Option.

Each Holder (by delivering a Third Put Option Notice) agrees to sell and Wison Holding agrees to buy the Shares held by such Holder and each right attaching to such Shares at the settlement date, including, without limitation, the right to receive any dividend, distribution or return of capital declared, paid or made in respect of the relevant Shares in respect of periods starting on or after the settlement date. On the settlement date, each Holder will be deemed to represent and warrant to Wison Holding that it has not created any encumbrance over or in respect of the Shares held by such Holder. Once given, a Third Put Option Notice may not be revoked without the consent in writing of Wison Holding.

On the settlement date, Wison Holding shall pay to the relevant Holder  $[1+(20\% \times 1.5)] \times$  putting shareholder’s Investment Amount. All Third Put Option Notices provided to Wison Holding shall be deemed to be automatically revoked if the Listing occurs before the Maturity Date (as defined above) and, accordingly, each Holder’s right to exercise the Third Put Option will automatically terminate.



Pursuant to five letters of commitment dated December 8, 2012 executed by each of Sun-Rising, Sincere, Hao Peng, Feixl and Stone Capital in favor of Wison Holding, each of Sun-Rising, Sincere, Hao Peng, Feixl and Stone Capital committed irrevocably that it has not exercised, and will not exercise, the Put Option and the Third Put Option before December 31, 2013. Pursuant to a letter of commitment dated December 11, 2012 executed by BOCOM, BOCOM committed irrevocably that it has not exercised, and will not exercise, the Put Option and the Third Put Option before December 31, 2013. The Obligors agreed in the above-mentioned letter that (i) BOCOM shall be entitled to exercise the Third Put Option on the terms of the Majority Shareholder Undertaking from December 31, 2013; (ii) pursuant to the exercise of the Third Put Option, Wison Holding shall pay to BOCOM an amount calculated by reference to the formula: “[1+(20% x 2.5)] x BOCOM’s Investment Amount”; and (iii) the rights of BOCOM under the Majority Shareholder Undertaking will continue to be secured by the transaction security as defined under the intercreditor deed dated July 6, 2011 entered into by, among others, the Obligors and BOCOM.

## LOCK-UP

### (a) Lock-up on the part of Mr. Hua, Wison Holding, our Company and Wison Investment

Save with the prior written consent of all of the Holders, Mr. Hua, Wison Holding, our Company and Wison Investment shall not (and they shall procure that their respective Affiliates shall not), within a period from the issue date (i.e. July 6, 2011) until 180 days after the Listing, sell, assign, encumber, transfer or otherwise dispose of, or agree or undertake to do the same (“**Transfer**”), any shares in Wison Holding, Wison Investment, our Company or any Subsidiaries or any interest therein or any legal or beneficial interest in any such share, save, among others:

- (a) that Wison Investment may Transfer a number of Shares, being not more than 20% of the total number of Shares in issue on the date of the Majority Shareholder Undertaking, to a transferee who holds such Shares on trust for a family trust, provided always that:
  - (i) in the event that the transferee ceases to be the trustee of a family trust, Wison Investment and Mr. Hua shall procure that the transferee shall forthwith transfer all of the transferee’s Shares back to Wison Investment; and
  - (ii) it shall be a condition of the Transfer to any such transferee that Wison Investment be granted the exclusive right to exercise votes in respect of each Share Transferred by it to such transferee; and
- (b) for any Transfer of shares in any Subsidiaries or any interest therein or any legal or beneficial interest in any such share that occurs after the Listing.

### (b) Lock-up on the part of Holders

Pursuant to the Majority Shareholder Undertakings, the Pre-IPO Investors agreed that they will not transfer any Shares for 180 days following the date of the Qualifying IPO if an underwriter of the Qualifying IPO or the Stock Exchange prohibits them from doing so. The

Underwriters have confirmed that they will not so prohibit BOCOM and Gold Prosperity and have notified each of Sun-Rising, Sincere, Hao Peng, Stone Capital and Feixl (all of which have acknowledged such notification) that they are required to comply with such prohibition.

#### ANTI-DILUTION

Our Company shall not issue (upon the Listing) new Shares (excluding any Shares to be issued as a result of the exercise of any over-allotment option) greater than 18% of the total equity of our Company (calculated on a post-issue basis, excluding any Shares to be issued as a result of the exercise of any over-allotment option) unless Wison Holding and Wison Investment procure the issue or delivery to each Holder of such additional number of Shares that would result in such Holder having the same percentage shareholding in our Company that such Holder would have had our Company only issued (upon the Listing) a number of shares equal to 18% of the total equity of our Company (calculated on a post-issue basis, excluding any Shares to be issued as a result of the exercise of any over-allotment option).

The transfer of an additional number of Shares to the Pre-IPO Investors under the anti-dilution right shall be at nil consideration. All the transfers will be settled prior to the Listing. Wison Holding will continue to be the Controlling Shareholder after the exercise of the anti-dilution rights.

#### REDEMPTION OF THE BONDS ISSUED TO HUADIAN, HUANENG INVESCO WLR, CREDIT SUISSE AND UOB BY WISON HOLDING

On March 23, 2012, Wison Holding, our Company, Wison Investment, Mr. Hua and Huadian entered into a redemption agreement (the “**Huadian Redemption Agreement**”), pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Huadian by the date (“**Huadian Redemption Date**”) which is the earlier of (i) the fifth day after Wison Holding has issued a written notice to Huadian to redeem the Bonds held by Huadian, (ii) June 30, 2012 and (iii) four Business Days prior to the hearing before the Listing Committee, completion of which took place on June 20, 2012. The redemption price is the aggregate of (a) the principal amount of the Bonds issued to and held by Huadian and (b) the interest accrued from July 6, 2011 to the Huadian Redemption Date on the outstanding principal amount of the Bonds issued to and held by Huadian at a simple interest rate of 20% per annum, being US\$5,961,643.84.

On June 4, 2012, Wison Holding, our Company, Wison Investment, Mr. Hua and Huaneng Invesco WLR entered into a redemption agreement (the “**Huaneng Invesco WLR Redemption Agreement**”), pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Huaneng Invesco WLR by the date (“**Huaneng Invesco WLR Redemption Date**”) which is the earlier of (i) the fifth Business Day after Wison Holding has issued a written notice to Huaneng Invesco WLR to redeem the Bonds held by Huaneng Invesco WLR and (ii) July 6, 2012, completion of which took place on June 25, 2012. The redemption price is the aggregate of (a) the principal amount of the Bonds issued to and held by Huaneng Invesco WLR and (b) the interest accrued from July 6, 2011 to the Huaneng Invesco WLR Redemption Date on the outstanding principal amount of the Bonds issued to and held by Huaneng Invesco WLR at a simple interest rate of 20% per annum, being US\$11,977,777.78.

On June 4, 2012, Wison Holding, our Company, Wison Investment, Mr. Hua and Credit Suisse entered into a redemption agreement (the “**Credit Suisse Redemption Agreement**”), pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Credit Suisse by the date (“**Credit Suisse Redemption Date**”) which is the earlier of (i) the fifth Business Day after Wison Holding has issued a written notice to Credit Suisse to redeem the Bonds held by Credit Suisse and (ii) July 6, 2012, completion of which took place on June 25, 2012. The redemption price is the aggregate of (a) the principal amount of the Bonds issued to and held by Credit Suisse and (b) the interest accrued from July 6, 2011 to the Credit Suisse Redemption Date on the outstanding principal amount of the Bonds issued to and held by Credit Suisse at a simple interest rate of 20% per annum, being US\$11,977,777.78.

On June 4, 2012, Wison Holding, our Company, Wison Investment, Mr. Hua and UOB entered into a redemption agreement (the “**UOB Redemption Agreement**”), pursuant to which Wison Holding agreed to redeem the Bonds previously issued to UOB by the date (“**UOB Redemption Date**”) which is the earlier of (i) the fifth Business Day after Wison Holding has issued a written notice to UOB to redeem the Bonds held by UOB and (ii) July 6, 2012, completion of which took place on June 25, 2012. The redemption price is the aggregate of (a) the principal amount of the Bonds issued to and held by UOB and (b) the interest accrued from July 6, 2011 to the UOB Redemption Date on the outstanding principal amount of the Bonds issued to and held by UOB at a simple interest rate of 20% per annum, being US\$9,582,222.22.

#### **TERMINATION OF THE SECOND PUT OPTION**

We undertook to terminate the Second Put Option in order to comply with the “Interim Guidance on Pre-IPO Investments Pending Consultation on Possible Listing Rule Amendments” issued by the Listing Committee on October 13, 2010 (reproduced as HKEx Guidance Letter HKEx-GL29-12 on January 16, 2012) (the “**Interim Guidance**”). On June 1, 2012, Wison Holding, our Company, Wison Investment and Mr. Hua reached an agreement with the Pre-IPO Investors (other than those whose Bonds have been redeemed) to terminate the Second Put Option, pursuant to which the Pre-IPO Investors irrevocably (i) agreed that the Second Put Option and any or all of their rights and interests under the Second Put Option be terminated without any consideration and confirmed that there is no other agreement between (a) Wison Holding, our Company, Wison Investment or Mr. Hua or any of their respective affiliates and (b) the Bond holders in respect of such termination and (ii) agreed that Wison Holding, our Company, Wison Investment and Mr. Hua be released and forever discharged from any obligations whatsoever in respect of the Second Put Option under the terms and conditions set out in the Majority Shareholder Undertakings.

Save as disclosed above, there is no other arrangement in relation to the Pre-IPO Investment. The Company has confirmed that the arrangement in relation to the Pre-IPO Investment described in this Appendix IV complies with the Interim Guidance.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 30, 2004 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution, the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on November 30, 2012 and will become effective upon Listing. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be

printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

**(b) Directors**

*(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with



his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of, or for the benefit of, the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part, whether alone or jointly, under a guarantee or indemnity or by the giving of security;

- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide, in respect of any Director, or his associate(s), as such, any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
  - (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all traveling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or

other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependants or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependants are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before or in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment, but, as between persons who become or were last re-elected Directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a Director by law;
- (ff) if he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time, the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(viii) Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

*(ix) Register of Directors and officers*

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

*(x) Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, by the Company by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated, either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of the Articles relating to general meetings shall apply *mutatis mutandis*, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Alteration of capital**

The Company may, by an ordinary resolution of its members, (i) increase its share capital by the creation of new shares of such amount as it thinks expedient; (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (iii) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (v) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (vi) make provision for the allotment and issue of shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and (viii) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital—subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.



**(f) Special resolution—majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy, or being a corporation is present by its duly authorized representative, shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting, a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting;
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting;
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member, including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

**(h) Annual general meetings**

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

**(i) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such

receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company, at its annual general meeting, balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(j) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14

days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which, for the purpose of service of notice, shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;

- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

**(k) Transfer of shares**

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time, remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid-up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid-up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(l) Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**(m) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(n) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and



- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance

of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

**(o) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(p) Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate, not exceeding 20% per annum, as the Board may prescribe.

**(q) Inspection of corporate records**

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as

may be set forth in the Articles. The Articles provide that, for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting, unless a quorum is present when the meeting proceeds to business and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix V.

**(t) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members *in specie* or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(u) Untraceable members**

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all checks or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and the three-month period (being the three-month notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) being notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(v) Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN COMPANIES LAW**

The Company was incorporated in the Cayman Islands as an exempted company on June 30, 2004 subject to the Cayman Companies Law. Certain provisions of Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

**(b) Share capital**

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine, including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;



- (iv) writing off the preliminary expenses of the company; and
- (v) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, or any holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Therefore, a company may provide financial assistance, provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care, acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares

which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Further, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under section 37A(1) of the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (i) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (ii) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (iii) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus, there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may, under the general power contained in its memorandum of association, be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is likely to be persuasive in the Cayman Islands,

dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(n) of this Appendix V for further details). Section 37A(7)(c) of the Cayman Companies Law provides that, for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding-up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra virus* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution, the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding-up order if the court is of the opinion that it is just and equitable that the company should be wound up. Or, as an alternative to a winding-up order, the Court may make the following orders: (aa) an order regulating the conduct of the company's affairs in the future; (bb) an order requiring the company to refrain from doing or continuing an act complained of by the petitioner or to do an act which the petitioner has complained it has omitted to do; (cc) an order authorizing civil proceedings to be brought in the name of and on behalf of the company by the petitioner on such terms as the Court may direct; or (dd) an order providing for the purchase of the shares of any members of the company by other members or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place, (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of 20 years from July 27, 2004.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaty.

**(k) Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the Company may determine, from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(o) Winding up**

A Cayman Islands company may be wound up either (i) by an order of the Court; (ii) voluntarily by its members; or (iii) under the supervision of the Court.

The court has authority to order winding-up in a number of specified circumstances, including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding-up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to

pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding-up, such company is obliged to cease to carry on its business from the commencement of its winding-up except so far as it may be beneficial for its winding-up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding-up of a company, one or more liquidators shall be appointed for the purpose of winding-up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding-up, showing how the winding-up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding-up under the supervision of the court, on the grounds that (aa) the company is or is likely to become insolvent; or (bb) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding-up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding-up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(p) Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for



such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "Appendix VII—Documents Available for Inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on June 30, 2004. We have established a place of business at Room 5007, 50th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong and were registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on August 26, 2004. Ms. Luk Wai Mei has been appointed as our agent for the acceptance of service in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and to its constitution comprising its Memorandum and articles of association. A summary of various provisions of our constitution and relevant aspects of Cayman Islands company law is set out in “Appendix V—Summary of the Constitution of the Company and Cayman Companies Law”.

**2. Changes in share capital of our Company**

As at the date of incorporation of our Company, our authorized share capital was HK\$300,000 divided into 3,000,000 Shares with a par value of HK\$0.10 each.

On July 12, 2004, one Share was transferred from the initial subscriber and 999 Shares were allotted and issued fully paid to Wison Holding.

On November 30, 2012, our authorized share capital was increased from HK\$300,000 to HK\$2,000,000,000 by the creation of an additional 19,997,000,000 Shares.

Upon completion of the Global Offering and the Capitalization Issue, our authorized share capital will be HK\$2,000,000,000 divided into 20,000,000,000 Shares, and the issued share capital will be HK\$400,000,000 divided into 4,000,000,000 fully paid or credited as fully paid Shares. The remaining 16,000,000,000 Shares will constitute authorized but unissued Shares. Other than any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued Shares and, without the prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter our control.

Save as disclosed above and in “—Written resolutions of our Shareholders passed on November 30, 2012” below, there has been no alteration in the share capital of our Company since the date of its incorporation.

**3. Written resolutions of our Shareholders passed on November 30, 2012**

Pursuant to the written resolutions of our Shareholders passed on November 30, 2012, resolutions were passed under which, among other things:

- (a) our authorized share capital was increased from HK\$300,000 divided into 3,000,000 Shares to HK\$2,000,000,000 divided into 20,000,000,000 Shares by the creation of 19,997,000,000 new Shares, each ranking pari passu with the Shares in issue;

- (b) the amended and restated Memorandum and Articles were adopted in substitution for and to the exclusion of the existing Memorandum and Articles conditional upon Listing;
- (c) conditional on (1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being duly determined among the Company, the Selling Shareholder and the Joint Bookrunners (on behalf of the Underwriters), (3) the execution and delivery of the International Placing Agreement on or about the Price Determination Date, (4) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, and (5) the Selling Shareholder agreeing to sell a portion of its Shares in the Global Offering, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorized to approve the allotment and issue of the Offer Shares and any Shares which are required to be issued if the Over-allotment Option is exercised;
  - (ii) the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted, and our Directors were authorized to grant options thereunder and to allot and issue Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme and the Share Option Scheme;
  - (iii) conditional upon our share premium account being credited as a result of the Global Offering, we capitalized and applied HK\$351,999,000 of such amount so credited in paying up in full at par 3,519,990,000 Shares for allotment and issue to holders of the Shares on the register of members at the close of business on November 29, 2012 (or as our Directors may direct) in the same proportion as their then shareholdings;
  - (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, Shares with an aggregate nominal value not exceeding:
    - (1) 20% of the aggregate nominal value of our share capital in issue and to be issued as mentioned in this prospectus (including, without limitation, any issue of Shares pursuant to the Capitalization Issue); and
    - (2) the aggregate nominal amount of our share capital repurchased under the authority referred to in sub-paragraph (v) below; and

- (v) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the aggregate nominal value of our issued share capital immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which have been granted pursuant to the Pre-IPO Share Option Scheme or may be granted pursuant to the Share Option Scheme, and the said approval shall be limited accordingly.

Each of the general mandates referred to in paragraphs (c)(iv) and (v) above will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual meeting is required to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

#### **4. Corporate Reorganization**

In preparation for the listing of Shares on the Stock Exchange, the companies comprising our Group underwent reorganization, and our Company became a holding company of our Group.

Pursuant to the corporate reorganization:

On May 16, 2011, our Company and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in Wison Technology to our Company in exchange for the issuance of 9,000 new Shares credited as fully paid to Wison Holding. Upon completion of the share swap which took place on May 16, 2011, Wison Technology became wholly owned by our Company.

On May 16, 2011, Wison Investment and Wison Holding entered into a share swap agreement under which Wison Holding transferred all its shares in our Company to Wison Investment in exchange for the issuance of one new Share credited as fully paid to Wison Holding. Upon completion of the share swaps that took place on May 16, 2011, our Company became wholly owned by Wison Investment.

On July 5, 2011, our Company and the Pre-IPO Investors entered into eight separate Subscription Agreements. Pursuant to the Subscription Agreements, Wison Holding agreed to issue the Bonds to each Pre-IPO Investor, respectively. Completion of the Subscription Agreements took place on July 6, 2011. For further details, see “Appendix IV—Summary of Pre-IPO Investment”.

Wison Holding, the issuer of the Bonds, entered into agreements with Huadian on March 23, 2012 and with Huaneng Invesco WLR, Credit Suisse and UOB on June 4, 2012 to

redeem the Bonds issued to those parties, completion of which took place on June 20, 2012 for Huadian and on June 25, 2012 for Huaneng Invesco WLR, Credit Suisse and UOB. See “Appendix IV—Summary of Pre-IPO Investment—Redemption of the Bonds issued to Huadian, Huaneng Invesco WLR, Credit Suisse and UOB by Wison Holding” for further details.

On September 20, 2012, the Bonds held by the Remaining Pre-IPO Investors were exchanged into our Shares pursuant to the terms and conditions of the Bonds and the Remaining Pre-IPO Investors became our Shareholders.

## **5. Changes in the share capital of our subsidiaries**

Our subsidiaries are listed in the accountants’ report, the text of which is set out in Appendix I.

There has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

## **6. Repurchase by our Company of our own securities**

This includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

### **(a) Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are *summarized* below:

#### *(i) Shareholders’ approval*

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our Shareholders passed on November 30, 2012, our Directors were granted a general unconditional mandate (the “repurchase mandate”) to repurchase on the Stock Exchange, or any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares with an aggregate nominal value not exceeding 10% of our share capital in issue and to be issued as mentioned in this prospectus (including, without limitation, any issue of Shares pursuant to the Capitalization Issue). The repurchase mandate will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of funds*

Repurchases of Shares must only be funded out of funds legally permitted to be utilized in this connection (namely profits of our Company or the proceeds from a new issue of shares made for the purpose of the repurchase, or, if so authorized by its articles of association and subject to the Cayman Companies Law, out of capital) in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. Any premium on a repurchase may be made out of profits of our Company or from sums standing to the credit of our Company's share premium account or, if so authorized by its articles of association and subject to the Cayman Companies Law, out of capital. A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of shares which we are authorized to repurchase on the Stock Exchange is such number of shares which represents up to a maximum of 10% of our existing issued share capital as at the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

(iv) *Shares to be purchased*

The Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

(v) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased securities are to be treated as cancelled, and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares accordingly.

(vi) *Suspension of repurchases*

Securities repurchases are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vii) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of



the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including the monthly breakdown of the number of securities repurchased, purchase price per share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

*(viii) Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

**(b) Share capital**

Exercise in full of the repurchase mandate, on the basis of 4,000,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 400,000,000 Shares being repurchased by us during the course of the period prior to the date on which such repurchase mandate expires or terminates (as referred to in paragraph (a)(i) above).

**(c) General information relevant to the repurchase mandate**

- (i) Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or our earnings per Share.
- (ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.
- (iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to us or our subsidiaries if the repurchase mandate is exercised.
- (iv) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who affects the repurchase of securities to disclose to the

Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

- (v) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.
- (vi) No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) the Facility Agreement dated July 5, 2011 entered into by Wison Investment as borrower, Wison Holding as parent, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore as guarantors, BOCOM, Credit Suisse and UOB as lenders and Bank of Communications Trustee Limited ("**BOCOM Trustee**") as facility agent, pursuant to which the Lenders agreed to grant a term loan facility with an aggregate principal amount of up to US\$100,000,000 to Wison Investment;
- (b) eight separate Subscription Agreements dated July 5, 2011 entered into by Wison Holding as issuer, Wison Investment, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore as guarantors, BOCOM Trustee as trustee and the respective Pre-IPO Investors as subscribers, namely:
  - (i) BOCOM, Gold Prosperity, Credit Suisse and UOB;
  - (ii) Sun-Rising;
  - (iii) Huadian;
  - (iv) Huaneng Invesco WLR;
  - (v) Sincere;
  - (vi) Hao Peng;

(vii) Stone Capital; and

(viii) Feixl,

pursuant to which Wison Holding agreed to issue the Bonds to the Pre-IPO Investors;

(c) eight separate majority shareholder undertakings dated July 5, 2011 entered into by Wison Holding, our Company, Wison Investment, Mr. Hua and the respective Pre-IPO Investors, namely:

(i) BOCOM, Gold Prosperity, Credit Suisse and UOB;

(ii) Sun-Rising;

(iii) Huadian;

(iv) Huaneng Invesco WLR;

(v) Sincere;

(vi) Hao Peng;

(vii) Stone Capital; and

(viii) Feixl,

pursuant to which Wison Holding, our Company, Wison Investment and Mr. Hua granted certain rights to the Pre-IPO Investors in connection with the Bonds;

(d) eight separate trust deeds dated July 6, 2011 entered into by Wison Holding as issuer, Wison Investment, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore as guarantors and BOCOM Trustee as trustee in relation to the Bonds in a principal amount of US\$50,000,000, US\$13,000,000, US\$5,000,000, US\$10,000,000, US\$5,000,000, US\$5,000,000, US\$3,000,000 and US\$4,000,000, respectively;

(e) eight separate paying, exchange and transfer agency agreements dated July 6, 2011 entered into by Wison Holding as issuer, Wison Investment, our Company, Wison Technology, Wison Energy (HK) and Wison Singapore as guarantors and BOCOM Trustee as registrar, principal agent, paying agent, transfer agent, exchange agent and trustee in relation to the Bonds in a principal amount of US\$50,000,000, US\$13,000,000, US\$5,000,000, US\$10,000,000, US\$5,000,000, US\$5,000,000, US\$3,000,000 and US\$4,000,000, respectively;

(f) (i) an intercreditor deed dated July 6, 2011 entered into by the Obligors as obligors, the Pre-IPO Investors as subscribers and holders of the Bonds, the Lenders as lenders of the loan facility under the Facility Agreement, BOCOM Trustee as trustee for the holders of the Bonds, as facility agent for and on behalf of the Lenders and as security trustee in relation to, among other things, the loan facility under the Facility Agreement and the Bonds, the

transaction security provided by the Obligors in connection therewith and the regulation of the application of proceeds of enforcement of the transaction security;

- (ii) a controlled accounts charge dated July 6, 2011 entered into by Wison Holding, Wison Investment, Wison Energy (HK), Wison Offshore & Marine, Wison Chemical, Wison Technology and our Company as chargors in favor of BOCOM Trustee as security trustee pursuant to which, among other things, each of such chargors granted security over certain assigned bank accounts;
- (iii) a debenture dated July 6, 2011 entered into by our Company as company in favor of BOCOM Trustee as security trustee pursuant to which, among other things, our Company granted security over all of its assets and undertakings;
- (iv) a share mortgage dated July 6, 2011 entered into by our Company as mortgagor in favor of BOCOM Trustee as security trustee pursuant to which, among other things, our Company agreed to mortgage and charge its legal and beneficial interest in all of its shares in Wison Technology;
- (v) a debenture dated July 6, 2011 entered into by Wison Technology as company in favor of BOCOM Trustee as security trustee pursuant to which, among other things, Wison Technology granted security over all of its assets and undertakings;
- (vi) a share charge dated July 6, 2011 entered into by Wison Technology as chargor in favor of BOCOM Trustee as security trustee pursuant to which, among other things, Wison Technology agreed to mortgage and charge all of its shares in Wison Energy (HK);
- (vii) a debenture dated September 1, 2011 entered into by Wison Energy (HK) as company in favor of BOCOM Trustee as security trustee pursuant to which, among other things, Wison Energy (HK) granted security over all of its assets and undertakings (other than the shares and/or equity interests in Wison Singapore, Wison Engineering and Wison Yangzhou);
- (viii) a share charge dated July 6, 2011 entered into by Wison Energy (HK) as chargor in favor of BOCOM Trustee as security trustee pursuant to which, among other things, Wison Energy (HK) granted security over all of its shares in Wison Singapore;
- (ix) a debenture dated July 6, 2011 entered into by Wison Singapore as company in favor of BOCOM Trustee as security trustee pursuant to which, among other things, Wison Singapore granted security over all of its assets and undertakings;
- (g) a share swap agreement between our Company and Wison Holding dated May 16, 2011, under which Wison Holding transferred all its shares in Wison Technology to our Company in exchange for the issuance of 9,000 new Shares credited as fully paid to Wison Holding;
- (h) a share swap agreement between Wison Investment and Wison Holding dated May 16, 2011, under which Wison Holding transferred all its shares in our

Company to Wison Investment in exchange for the issuance of one new Share credited as fully paid to Wison Holding;

- (i) (i) a redemption agreement dated March 23, 2012 entered into by Wison Holding, our Company, Wison Investment, Mr. Hua and Huadian pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Huadian;
- (ii) a redemption agreement dated June 4, 2012 entered into by Wison Holding, our Company, Wison Investment, Mr. Hua and Huaneng Invesco WLR pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Huaneng Invesco WLR;
- (iii) a redemption agreement dated June 4, 2012 entered into by Wison Holding, our Company, Wison Investment, Mr. Hua and Credit Suisse pursuant to which Wison Holding agreed to redeem the Bonds previously issued to Credit Suisse;
- (iv) a redemption agreement dated June 4, 2012 entered into by Wison Holding, our Company, Wison Investment, Mr. Hua and UOB pursuant to which Wison Holding agreed to redeem the Bonds previously issued to UOB;
- (j) a letter of confirmation dated June 1, 2012 from Wison Holding, Wison Investment, our Company and Mr. Hua to BOCOM, Gold Prosperity, Sun-Rising, Sincere, Hao Peng, Stone Capital and Feixl in relation to the termination of the Second Put Option;
- (k) a waiver request letter dated June 1, 2012 from the Obligors to BOCOM Trustee in relation to certain waivers of breach of the Facility Agreement;
- (l) a deed of indemnity dated November 30, 2012 entered into by Mr. Hua, Wison Investment and Wison Holding in favor of our Company containing indemnities in respect of taxation and estate duty referred to in “—Other information—Tax and other indemnities” below;
- (m) a non-competition deed dated November 30, 2012 entered into by Mr. Hua, Wison Investment and Wison Holding in favor of our Company, details of which are set out in “Controlling Shareholders and Substantial Shareholders”;
- (n) a cornerstone investment agreement dated November 30, 2012 entered into by Solar City Holdings Limited, Citi, Deutsche Bank, BOCOM Securities, UBS, CSCF and our Company as described in “Cornerstone Investment”;
- (o) a cornerstone investment agreement dated November 30, 2012 entered into by EA Asia Absolute Return Master Fund, Citi, Deutsche Bank, BOCOM Securities, UBS, CSCF and our Company as described in “Cornerstone Investment”;
- (p) a letter dated December 3, 2012 from Credit Suisse, UOB, BOCOM and Gold Prosperity to the Obligors, Mr. Hua, Sun-Rising, Sincere, Hao Peng, Stone Capital and Feixl in relation to the agreement that the Listing shall be deemed to be a

Qualifying IPO, the agreement to refrain from exercising their rights under the Majority Shareholder Undertakings and the termination of the Majority Shareholder Undertakings;



- (q) a cornerstone investment agreement dated December 6, 2012 entered into by Chow Tai Fook Nominee Limited, Citi, Deutsche Bank, BOCOM Securities, UBS, CSCF and our Company as described in “Cornerstone Investment”;
- (r) a letter of commitment dated December 11, 2012 from BOCOM to Wison Investment and confirmed by the Obligors and Mr. Hua, in relation to, among other things, the change of final repayment date in respect of any outstanding amount owing to BOCOM under the Facility Agreement to December 31, 2013; and
- (s) the Public Offer Underwriting Agreement, details of which are set out in “Underwriting”.

## 2. Intellectual property rights of our Group

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business:

### (a) Trade marks

As of the Latest Practicable Date, Wison Holding was the registered user of the following trade marks and our Group was licensed to use the following trade marks which are material to our business:

<u>Trade mark</u>	<u>Registered owner (in application)</u>	<u>Trade mark no.</u>	<u>Place of application</u>	<u>Class</u>	<u>Term (MM/DD/YY)</u>
WISON	Wison Holding	6303319	PRC	11	02/21/11 to 02/20/21
WISON	Wison Holding	6303323	PRC	7	02/21/10 to 02/20/20
惠生	Wison Holding	6303324	PRC	7	02/21/10 to 02/20/20
WISON	Wison Holding	6303328	PRC	42	01/14/11 to 01/13/21
惠生	Wison Holding	6303329	PRC	42	06/21/10 to 06/20/20
WISON	Wison Holding	6303330	PRC	40	03/28/10 to 03/27/20
惠生	Wison Holding	6303331	PRC	40	03/28/10 to 03/27/20
WISON	Wison Holding	6303332	PRC	37	03/28/10 to 03/27/20
惠生	Wison Holding	6303333	PRC	37	05/28/10 to 05/27/20
惠生	Wison Holding	300942976	Hong Kong	1, 6, 7, 16, 35, 37 & 42	08/29/07 to 08/28/17
 	Wison Holding	300942985AA	Hong Kong	1, 6, 7, 16, 35, 37 & 42	08/29/07 to 08/28/17
WISON	Wison Holding	300942985AB	Hong Kong	1, 6, 7, 16, 35, 37 & 42	08/29/07 to 08/28/17



**(b) Patents**

- (i) As at the Latest Practicable Date, our Group was the registered owner of the following patents which are material to our business:

<b>Patent</b>	<b>Registered owner</b>	<b>Patent no.</b>	<b>Effective date</b>	<b>Validity period</b>	<b>Patent type</b>
Heat recovery technology for the coal gasification and syngas generation process (一種煤氣化製合成氣過程的熱量回收工藝方法)	Wison Engineering	ZL200710175473.5	September 29, 2007	20 years	Invention
Integrated desulfurization technology for coproducing by methanol urban gas (城市煤氣聯產甲醇集成脫硫工藝)	Wison Engineering	ZL200610106929.8	August 25, 2006	20 years	Invention
Combined compressor used in the process of coproducing methanol by gas (煤氣聯產甲醇過程用的聯合壓縮裝置)	Wison Engineering	ZL200720004871.6	February 12, 2007	10 years	Utility Model
Contactable oil quench device (一種接觸式油急冷器)	Wison Engineering	ZL201020123532.1	March 5, 2010	10 years	Utility Model
Ethylene cracking furnace (一種乙烯裂解爐)	Wison Engineering	ZL200710118074.5	June 28, 2007	20 years	Invention
Gasifying furnace for preparation of synthesis gas by liquid or solid or gas fuel (液體燃料或固體燃料或氣體燃料製備合成氣的氣化爐)	Wison Engineering	ZL201020607531.4	November 12, 2010	10 years	Utility Model
Gasifying furnace for preparation of synthesis gas by liquid or solid or gas fuel (一種液體燃料或固體燃料或氣體燃料製備合成氣的氣化爐)	Wison Engineering	ZL201020607554.5	November 12, 2010	10 years	Utility Model
Gasifying furnace for preparation of synthesis gas by liquid or solid or gas fuel (一種液體燃料或固體燃料或氣體燃料製備合成氣的氣化爐)	Wison Engineering	ZL201020567950.X	October 19, 2010	10 years	Utility Model
Method for recycling methanol from low temperature methanol tail gas (一種回收低溫甲醇洗尾氣中甲醇的工藝)	Wison Engineering	ZL200810202759.2	November 14, 2008	20 years	Invention

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Patent	Registered owner	Patent no.	Effective date	Validity period	Patent type
Method of separating Fischer Tropsch synthesis gas by combining distillation and solvent absorption (一種精餾與溶劑吸收相結合的費托合成尾氣的分離方法)	Wisn Engineering	ZL200910049331.3	April 15, 2009	20 years	Invention
Non-copious cooling lower carbon number hydrocarbons separation method containing light gas (一種含輕質氣體的非深冷低碳烴分離方法)	Wisn Engineering	ZL200710044193.0	July 25, 2007	20 years	Invention
Enhanced heat transfer tube (一種強化傳熱管)	Wisn Engineering	ZL200910055792.1	July 31, 2009	20 years	Invention
Method of improving charge gas compressor during sequential separation of light hydrocarbon (一種輕烴順序分離流程的裂解氣壓縮系統改進工藝)	Wisn Engineering	ZL200910049558.8	April 17, 2009	20 years	Invention
Gasifying device for liquid and solid fuel aqueous slurry (一種液體燃料或固體燃料水淤漿的氣化裝置)	Wisn Engineering	ZL200910047706.2	March 17, 2009	20 years	Invention
Radiation furnace and its application (一種輻射爐管及其應用)	Wisn Engineering	ZL200910052852.4	June 10, 2009	20 years	Invention
Light hydrocarbons (with light gas) separation technology with a combination of rectification and solvent (精餾與溶劑吸收相結合的含輕質氣體低碳烴的分離方法)	Wisn Engineering	ZL200710171098.7	November 27, 2007	20 years	Invention
Separation method for MTO/MTP reactive mixtures (一種MTO/MTP反應混合物的分離方法)	Wisn Engineering	ZL200810201218.8	October 15, 2008	20 years	Invention
Automatic bypass and reset chain of logic control circuit to protect cracking furnace (用於裂解爐保護的自動旁路與復位連鎖的邏輯控制電路)	Wisn Engineering	ZL201010200896.X	June 12, 2010	20 years	Invention
Integrated recycling method for Fischer Tropsch synthesis gas (一種費托合成尾氣的分離方法)	Wisn Engineering	ZL200810202983.1	November 19, 2008	20 years	Invention

(ii) As at the Latest Practicable Date, our Group is in the process of applying for the following patents in the PRC which are material to our business:

<u>Patent</u>	<u>Application no.</u>	<u>Date of Application</u>	<u>Patent</u>
Separation method for light hydrocarbon products used in MTO/MTP reaction products (一種MTO/MTP反應產物中輕烴產品的分離方法)	200810201217.3	October 15, 2008	Invention
Energy and water saving technology for high-and-low-pressure double-tower methanol rectification and dimethyl ether production (一種節能節水型高低壓雙塔甲醇精餾二甲醚生產工藝)	200810035512.6	April 2, 2008	Invention
Ethylene cracking furnace with single stroke radiation furnace (一種單程輻射爐管乙烯裂解爐)	200910055791.7	July 31, 2009	Invention
Multi level and multi channel radial adiabatic reactor used in the production of olefins with oxides as raw materials (一種多級多通道徑向絕熱式反應器)	200910195467.5	September 10, 2009	Invention
Method for direct production of propylene from crude methanol (一種粗甲醇直接製備丙烯的方法)	200910195466.0	September 10, 2009	Invention
Regeneration process of using low temperature methanol to wash and spray methanol (一種低溫甲醇洗噴淋甲醇的再生工藝)	200910198479.3	November 9, 2009	Invention
Method of producing toluene or xylene from alkylation of benzene with methanol (一種由苯與甲醇烷基化制甲苯或二甲苯的方法)	200910075173.9	August 14, 2009	Invention
Method of adjusting composition of products while refining coking benzene (一種在焦化粗苯精製時調整產品組成的方法)	200910075174.3	August 14, 2009	Invention
Method of converting methanol to propylene carbon in hydrocarbons and gasoline fraction (一種甲醇製富含丙烯的低碳混合烴和汽油餾分的工藝)	200910075182.8	August 14, 2009	Invention
Method of converting methanol to hydrocarbon products containing propylene (一種由甲醇生產富含丙烯的烴類產品的工藝)	200910075175.8	August 14, 2009	Invention
Method of heat pump distillation of methanol (一種甲醇熱泵精餾工藝)	201010117891.0	March 5, 2010	Invention
Comprehensive utilization technology of lignite (褐煤綜合利用方法)	200910196846.6	September 29, 2009	Invention
Two sets of technologies for reducing quench oil in the quench oil viscosity system (一種兩套急冷油系統急冷油減粘的工藝)	201010511860.3	October 19, 2010	Invention

<u>Patent</u>	<u>Application no.</u>	<u>Date of Application</u>	<u>Patent</u>
Comprehensive utilization technology of oil shale (油頁岩綜合利用方法)	200910196842.8	September 29, 2009	Invention
Comprehensive processing technique of heavy oil (重油綜合加工利用方法)	200910196845.1	September 29, 2009	Invention
Modified acid gas removal solution for low temperature methanol (一種用於低溫甲醇洗工藝酸性氣脫除的改性溶液)	CN201010599841.0	December 17, 2010	Invention
Column piercing structure of ethylene cracking furnace and its production method (乙烯裂解爐用穿膛柱結構及其製造方法)	CN201010597260.3	December 17, 2010	Invention
Chiller of high-temperature syngas (一種高溫粗合成氣激冷裝置)	201110043839.X	February 23, 2011	Invention
Combined combustion platform (一種聯合燃燒平台)	201110044385.8	February 23, 2011	Invention
Non-copious cooling lower carbon number hydrocarbons separation method containing light gas (一種含輕質氣體的非深冷低碳烴分離方法)	P.00.2008.00397	July 11, 2008	Invention
Petro coke residue slurry with high ash fusion point and its preparation method (一種氯化用高灰熔點石油焦漿及其製備方法)	201110295928.3	September 30, 2011	Invention
Multistage drying system for solid fuel (一種多級固體燃料乾燥系統)	201110412690.8	December 12, 2011	Invention
Device used for drying solid fuel (一種乾燥固體燃料的設備)	201110424874.6	December 16, 2011	Invention
An acetonitrile refining technology with continuous low energy consumption (一種連續低能耗的乙腈精製工藝)	201110421414.8	December 15, 2011	Invention
Tail gas processing method for acetonitrile refining technology (一種乙腈精製工藝的尾氣處理方法)	201110422144.2	December 15, 2011	Invention
Ethylene cracking furnace expansion modification method (一種乙烯裂解爐的擴能改造方法)	201210142815.4	May 9, 2012	Invention
Separation process for reactants in dehydrogenation of propane to propylene (一種丙烷脫氫製丙烯反應產物的分離方法)	201210315797.5	August 30, 2012	Invention

**(c) Domain names**

- (i) As at the Latest Practicable Date, our Group was the registered owner of the following domain names which are material to our business:

<u>Registrant</u>	<u>Domain name</u>	<u>Date of registration</u>	<u>Expiry date</u>
Wison Technology	wisonengineering.com	July 11, 2008	July 11, 2018
Wison Engineering	pmmagazine.com.cn	August 28, 2009	August 28, 2015

- (ii) As of the Latest Practicable Date, Wison Holding was the registered user of the following domain name and our Group was licensed to use the following domain name which is material to our business:

<u>Registrant</u>	<u>Domain name</u>	<u>Date of registration</u>	<u>Expiry date</u>
Wison Holding	wison-engineering.com	December 29, 2011	December 29, 2016

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

**C. FURTHER INFORMATION ABOUT OUR PRC ESTABLISHMENTS**

Brief particulars of the operating subsidiaries of our Company set up in the PRC are set out below:

- (a) (i) Name of the enterprise : 惠生工程（中國）有限公司 (Wison Engineering Ltd.)  
(ii) Date of incorporation : November 14, 1997  
(iii) Economic nature : Sino-foreign co-operative joint venture  
(iv) Registered owner : Jiangsu Xinhua and Wison Energy (HK)  
(v) Total investment capital : RMB611,360,000  
(vi) Registered capital : RMB306,000,000  
(vii) Attributable interest to us : 75%  
(viii) Term of operation : November 14, 1997 to November 13, 2027  
(ix) Scope of business : Chemical, petrochemical medical project design; petrochemical project construction and related technical consultation and management service; provide complete equipment development, production and sales service of own brand products to support chemical petrochemical medical project and petrochemical project; wholesale, import, export, and act as a commission agent (excluding auctions) for own brand and similar products and to provide related support services; contract overseas petrochemical project (limited to petrochemical ethylene) and related equipment, raw materials export service and personnel (if quota, approval certificate, special regulation, quality inspection, security management and construction industry related qualification are involved, must first comply with the legislation and regulations of PRC and obtain the necessary approval and qualification before commencing business); contract domestic international tender project.
- (b) (i) Name of the enterprise : 惠生（揚州）化工機械有限公司 (Wison (Yangzhou) Chemical Machinery Co., Ltd.)  
(ii) Date of incorporation : May 18, 2004  
(iii) Economic nature : WFOE  
(iv) Registered owner : Wison Energy (HK)  
(v) Total investment capital : US\$20,000,000  
(vi) Registered capital : US\$13,000,000  
(vii) Attributable interest to us : 100%  
(viii) Term of operation : May 18, 2004 to May 17, 2034  
(ix) Scope of business : Manufacture chemical mechanical equipment and their supporting products and promote their technical application, manufacture heat-resistant stainless steel products and promote their technical application; sales of own brand products.



**D. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF****1. Particulars of Directors' service contracts**

Each of our executive Directors, Mr. Hua Bangsong, Mr. Liu Haijun and Mr. Chen Wenfeng, has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months' written notice. Particulars of these service contracts are in all material respects the same except as indicated below:

- (a) Mr. Hua Bangsong, Mr. Liu Haijun and Mr. Chen Wenfeng will receive a monthly salary of RMB144,900, RMB110,000 and RMB90,000, respectively, subject to review in January 2013, and thereafter subject to annual review by our Board and our Remuneration Committee; and
- (b) each of Mr. Hua Bangsong, Mr. Liu Haijun and Mr. Chen Wenfeng will receive a discretionary bonus as may be determined by our Board and our Remuneration Committee based on the relevant Director's performance of his duties and our Company's earnings.

Each of our independent non-executive Directors, Mr. Choy Sze Chung Jojo, Mr. Liu Ji and Mr. Wu Jianmin, has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to our independent non-executive Directors according to their respective letter of appointment will be HK\$240,000.

**2. Directors' remuneration**

For the three years ended December 31, 2009, 2010 and 2011, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid to Directors by our Group was approximately RMB1.9 million, RMB2.5 million and RMB4.4 million, respectively.

Under the arrangements currently in place, the estimated aggregate amount that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ending December 31, 2012 is approximately RMB2.5 million (excluding any discretionary bonuses payable to our Directors).

### 3. Disclosure of interests in Shares

Immediately following completion of the Global Offering, the Capitalization Issue, the Sun-Rising Adjustment and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme and assuming the Over-allotment Option is not exercised, the interests and short positions of each of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been under such provisions of the SFO), or will be required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (all of the aforesaid being “Disclosable Interests”), will be as follows:

<u>Name of Director</u>	<u>Company/Name of Group Company</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares<sup>(1)</sup></u>	<u>Approximate percentage of shareholding</u>
Mr. Hua <sup>(2)</sup>	Company	Interest in controlled corporations	3,175,520,000 (L)	79.39%
Liu Haijun	Company	Beneficial owner	3,040,000 (L) <sup>(3)</sup>	0.08%
Chen Wenfeng	Company	Beneficial owner	1,900,000 (L) <sup>(3)</sup>	0.05%

*Notes:*

(1) The letter “L” denotes the person’s long position in such Shares.

(2) 3,175,520,000 Shares are beneficially owned by Wison Investment, which in turn is wholly owned by Wison Holding. By virtue of his 100% shareholding in Wison Holding, which in turn wholly owns Wison Investment, Mr. Hua is deemed or taken to be interested in a total of 3,175,520,000 Shares owned by Wison Investment.

(3) Shares subject to options under the Pre-IPO Share Option Scheme.

Save as disclosed above, none of our Directors will at the aforesaid time have any Discloseable Interests.

### 4. Substantial shareholders

Information on the persons, not being a Director or chief executive of our Company, who, immediately following the completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued and allotted pursuant to the Pre-IPO Share Option Scheme or the Share Option Scheme, has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group is set out in “Controlling Shareholders and Substantial Shareholders”.

### 5. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in “Underwriting”.

Save as disclosed in this prospectus, none of our Directors of our Company or the experts named in “—Other information—Consents of experts” have received any agency fees, commissions, discounts or brokerages, or been granted any other special terms, in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

## 6. Related party transactions

Save as disclosed in the Accountants’ Report set out in Appendix I, and in “Connected Transactions”, no other material related party transactions have been entered into by our Group during the two years preceding the date of this prospectus.

## 7. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interest in the equity or debt securities of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been under such provisions of the SFO), or will be required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in the Listing Rules;
- (b) none of our Directors or any of the experts referred to in “—Other information—Consents of experts” has any direct or indirect interest in the promotion of any member of our Company, or in any assets which have been within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be so acquired, disposed of or leased;
- (c) none of our Directors or any of the experts referred to in “—Other information—Consents of experts” is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of any Shares which may be taken up under the Global Offering and pursuant to exercise of the Over-allotment Option, our Directors are not aware of any person, not being a Director or chief executive, who will be, immediately following completion of the Global Offering, the Capitalization Issue and the Sun-Rising Adjustment, directly or indirectly, interested in 10% or more of the nominal

value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (f) none of the experts referred to in “—Other information—Consents of experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, save in connection with the Underwriting Agreement, nor is in the employment of an officer or servant of our Company; and
- (g) none of our Directors, any of their associates or any Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our Group’s five largest suppliers or five largest customers during the three years ended December 31, 2011 and the six months ended June 30, 2012.

## **E. SHARE OPTION SCHEME**

### **1. Summary of terms**

The following is a summary of all the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on November 30, 2012:

#### *(a) Purpose of the Share Option Scheme*

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group.

The Share Option Scheme provides that our Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to preserve the value of our Company and encourage option holders to acquire proprietary interests in our Company.

#### *(b) Who may join*

The Board may offer any employee (whether full-time or part-time), Director, consultant or adviser of our Group (the “Eligible Person”) options to subscribe for Shares at a price calculated in accordance with paragraph (c) below and subject to the other terms of the Share Option Scheme summarized below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

#### *(c) Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option

Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time.

- (ii) Subject always to the overall limit specified in paragraph (c)(i) above:
- the Board may grant options under the Share Option Scheme, generally and without further authority, in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of our Company as at the date on which dealings in the Shares commence on the Main Board (the “**Scheme Mandate Limit**”) (being 400,000,000 Shares). For the avoidance of doubt, options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
  - the Scheme Mandate Limit may be renewed by obtaining approval of the Shareholders in a general meeting, provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “**Refreshed Limit**”). Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Listing Rules; and
  - the Board may grant options in excess of the 10% limit to specifically identified Eligible Persons by first obtaining approval of the Shareholders in a general meeting to grant the options in the amounts and to the Eligible Persons specified in the resolution. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Listing Rules.
- (iii) Unless approved by the Shareholders in a general meeting in the manner as set out in paragraph (c)(iv) below (with such Eligible Person and his associates abstaining from voting), the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.
- (iv) Further options may be granted to an Eligible Person, which, if exercised, would result in such Eligible Person becoming entitled to subscribe for Shares in excess of the limit stated in paragraph (c)(iii) above, by obtaining approval of the Shareholders in general meeting with such Eligible Person and his associate(s) abstaining from voting provided that the terms and number of Shares subject to the options to be granted to such Eligible Person are fixed before the relevant approval of the Shareholders is obtained, and the date of the meeting of the Board proposing such further grant shall be deemed to be the date, which must be a

Business Day, of the written notice from our Company granting option to Eligible Persons (the “Date of Grant”) for the purpose of determining the exercise price of such options. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rules 17.02(2) and 17.03(4) of the Listing Rules.

(d) *Performance target*

The Share Option Scheme does not set out performance targets which must be achieved before the options may be exercised. However, on the grant of options by the Board, the Board may specify, as part of the terms and conditions of such option, the performance condition which must be satisfied before the option can be exercised.

(e) *Exercise price*

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

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheet on Date of Grant;
- (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

(f) *Rights are personal to grantee*

An option which has been duly granted and remains outstanding and exercisable in accordance with the Share Option Scheme and has neither lapsed nor been cancelled or exercised in full and, has been exercised in part as permitted by the terms of such option, includes that part of the option that has not been exercised and which has neither lapsed nor been cancelled (the “Subsisting Option”) and an offer to grant an option shall be personal to the Eligible Person to whom it is granted or made and shall not be assignable.

(g) *Options granted to Directors or substantial shareholders*

- (i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder of our Company or any of their respective associates shall be approved by the independent non-executive Directors and, in any event, if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purpose of approving such grant.
- (ii) Any options granted to an Eligible Person who is a substantial shareholder, or independent non-executive Director, or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all



the options granted and to be granted (including options whether exercised, cancelled or still outstanding) to such person in the period of 12 months up to and including the date of such grant:

- representing in aggregate over 0.1% of the issued share capital of our Company; and
- having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.

Such further grant of options must be approved by our Shareholders in a general meeting by poll convened and held in accordance with the Articles and the Listing Rules. Our Company must dispatch a circular to the Shareholders containing such information as required under Rule 17.04 of the Listing Rules. All connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor at such general meeting.

(h) *Grant of option*

- (i) Each grantee of options will receive an option certificate sealed by our Company specifying the number of options granted and specifying the applicable terms and conditions relating to such options. These terms and conditions may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the Share Option Scheme or the Listing Rules.
- (ii) The Board shall not grant any option under the Share Option Scheme after a price-sensitive development concerning our Company or any of our subsidiaries has occurred, or a price-sensitive matter concerning our Company or any of our subsidiaries has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting for the approval of our Company's interim or annual results; and (2) the deadline for our Company to publish its interim or annual results announcement under the listing agreement and ending on the date of the results announcement, no option shall be granted.

(i) *Time of exercise of an option*

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Share Option Scheme at any time during the "Exercise Period", that is, the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the Date of Grant of the relevant option.

(j) *Cancellation of options*

Any cancellation of any Subsisting Option shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the option holder(s) concerned.

In the event that the Board elects to cancel Subsisting Options and issue new options to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

(k) *Voting and dividend rights*

No voting rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised. A share issued upon the exercise of an option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof.

(l) *Effects of alterations in the capital structure of our Company*

In the event of Capitalization Issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in relation to any Subsisting Option to (i) the number of Shares subject to the unexercised option; and/or (ii) the option price; and/or (iii) in the event of a consolidation and sub-division of the share capital of our Company, the maximum number of Shares referred to in paragraph (c) above. Any such corresponding alterations to the Subsisting Option shall be certified by our Company's auditors as being fair and reasonable, and shall give an option holder the same proportion of the issued share capital of our Company as that to which he was previously entitled but so that no such alteration shall have the effect of enabling any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased.

(m) *Rights on a takeover*

If, during the Exercise Period, an offer is made to acquire all or part of the issued Shares (other than those held by the offeror and persons acting in concert with it) and such offer becomes or is declared unconditional, our Company shall give written notice to all persons then holding Subsisting Options and each such option holder may, by notice in writing to our Company, within 14 days of the date of such notice, exercise his option in full or to the extent specified in such notice.

(n) *Rights on schemes of compromise or arrangement*

If, during the Exercise Period, an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to sections 166 and 167 of the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or

between our Company and our members (or any class of them), an option holder may by notice in writing to our Company, within a period of 21 days of the date of such application, exercise his option in full or to the extent specified in such notice.

(o) *Rights on a voluntary winding up*

In the event of a notice of a meeting being convened to consider a resolution for the voluntary winding-up of our Company during the Exercise Period, our Company shall forthwith upon notice of such meeting being given, give written notice to option holders of the convening of such meeting and an option holder may thereupon by notice in writing to our Company exercise any Subsisting Option at any time not later than five Business Days prior to the proposed general meeting of our Company to its full extent or to the extent specified in such notice.

(p) *Ranking of Shares*

Shares issued or transferred on the exercise of an option shall rank equally in all respects with the other Shares of the same class in issue at the date of allotment (including, without limitation, as to voting, dividend and transfer rights and rights arising on the liquidation of our Company) and will be subject to all the provisions of the Articles. They shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(q) *Present status of the Share Option Scheme*

The Share Option Scheme shall take effect subject to and is conditional on (i) the passing of an ordinary resolution to adopt the Share Option Scheme by the Shareholders in a general meeting (with any persons required to abstain from voting under the Listing Rules so abstaining); (ii) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock-up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would henceforth not be meaningful and could be misleading to Shareholders.

(r) *Duration of the Share Option Scheme*

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten years from the date on which it is adopted by resolution of the Shareholders in general meeting.

(s) *Amendment of the Share Option Scheme*

- (i) Subject to paragraph (ii) below, the Board may amend any of the provisions of the Share Option Scheme or withdraw or otherwise terminate the Share Option Scheme at any time but no alterations shall be made to the advantage of any option holder unless approved by the Shareholders in a general meeting. In addition, no alteration shall operate to affect adversely any rights which have accrued to any option holder at that date.
- (ii) Our Company in a general meeting must approve in advance by ordinary resolution any proposed change which relates to the following:
- the persons to or for whom Shares may be provided under the Share Option Scheme;
  - the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
  - the limitations on the number of Shares which may be issued under the Share Option Scheme;
  - the individual limit for each option holder under the Share Option Scheme;
  - the determination of the exercise price of the option;
  - any rights attaching to the options and the Shares;
  - the terms of granted options;
  - the rights of option holders in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction or any other variation of share capital of our Company;
  - the provisions under the Share Option Scheme regarding the amendment of the Share Option Scheme;
  - any matters set out in Rule 17.03 of the Listing Rules as amended from time to time; and
  - any alterations to the Share Option Scheme which are of a material nature.
- (iii) Except as described in paragraph (ii) above, the Board need not obtain the approval of the Shareholders in a general meeting for any minor changes:
- to benefit the administration of the Share Option Scheme;
  - to comply with or take account of the provisions of any proposed or existing legislation;
  - to take account of any changes to the legislation; or

- to obtain or maintain favorable tax, exchange control or regulatory treatment of our Company or any of our subsidiaries or any present or future option holder.
  - (iv) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be subject to the approval of the Stock Exchange save where the alterations take effect automatically under the existing terms of the Share Option Scheme.
  - (v) Unless otherwise approved by the Stock Exchange, the amended terms of the Share Option Scheme or the Subsisting Options shall comply with the relevant requirements of the Listing Rules in guidance issued from the Stock Exchange from time to time.
- (t) *Lapse of options*
- An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the Exercise Period and:
- (i) the first anniversary of the death of the option holder;
  - (ii) in the case of an option holder who is an employee of our Group or a Director, upon the option holder ceasing to be an employee of our Group or our Director by reason of dismissal from employment or termination of office; in the case of an option holder who is a consultant or adviser of our Group, by reason of termination by our Company or any of our subsidiaries of the contract for provision of such services, in each case on the ground of:
    - the option holder's misconduct;
    - the option holder committing an act of bankruptcy;
    - the option holder becoming insolvent or making any arrangements or composition with his creditors generally; or
    - the option holder being convicted of any criminal offense involving his or her integrity or honesty;
  - (iii) three months after the option holder ceases to be an employee of our Group by reason of:
    - his retirement on or after attaining normal retirement age;
    - his resignation;
    - ill health or disability;
    - the company by which he is employed ceasing to be a subsidiary of our Company;

- the expiry of his contract of employment with our Group; or
  - termination of his employment with our Group for reasons other than the reasons specified in paragraphs (i) and (ii) above;
- (iv) three months after the option holder ceases to be a Director for reasons other than the reasons specified in paragraphs (ii) and (iii) above;
- (v) in the case of any takeovers, schemes of compromise or arrangement and liquidation, upon the expiry of the periods of notice as specified in the Share Option Scheme; provided that in the scheme of compromise or arrangement, such proposed compromise or arrangement becomes effective;
- (vi) save as otherwise provided, in the case of a voluntary winding-up of our Company during the Exercise Period, upon the earlier of the close of business on the fifth Business Day prior to the general meeting convened to consider such voluntary winding-up or the date of the commencement of the winding-up of our Company;
- (vii) upon any breach of the provision described in paragraph (f) above; or
- (viii) in the case of an option holder who is a consultant or adviser of our Group, on the date which is the later of (1) the date on which the Board resolves in its reasonable opinion that the option holder no longer provides consultancy or advisory (as appropriate) services to our Group; and (2) the date which falls three months after the date on which the option holder is notified of such resolution.
- (u) *Termination*
- In the event that the Board elects to terminate the operation of the Share Option Scheme, no further option shall be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.
- (v) *Disclosure of the Share Option Scheme*
- Our Company shall disclose all information as required by the Listing Rules or any other applicable rules and regulations in our annual and interim reports.

## 2. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme.



**F. PRE-IPO SHARE OPTION SCHEME****1. Summary of terms**

The following is a summary of all the principal terms of the Pre-IPO Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on November 30, 2012:

The Pre-IPO Share Option Scheme and the grant of any pre-IPO option hereunder are conditional upon (1) the approval for the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of pre-IPO options under the Pre-IPO Share Option Scheme, being granted by the Listing Committee of the Stock Exchange; (2) the Global Offering becoming unconditional and not being terminated according to the terms thereof; and (3) the commencement of dealing of the Shares on the Stock Exchange. If the aforesaid conditions are not fulfilled by September 30, 2017, then:

- (i) the Pre-IPO Share Option Scheme shall terminate forthwith;
- (ii) any pre-IPO option granted or agreed to be granted pursuant to these rules and any offer shall forthwith lapse and be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Scheme or any outstanding pre-IPO option.

**(a) Purpose, Duration and Control of Scheme**

- (i) The purpose of this Pre-IPO Share Option Scheme is to enable our Company to grant pre-IPO options to Eligible Participants as recognition and acknowledgement of the contributions that the Eligible Participants have made or may make to our Group or any Affiliates.
- (ii) This Pre-IPO Share Option Scheme shall be valid and effective for the 180-day period commencing on the date on which the Pre-IPO Share Option Scheme was adopted after which no further pre-IPO options shall be offered but the provisions of this Pre-IPO Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any pre-IPO options granted prior thereto or otherwise as may be required in accordance with the provisions of this Pre-IPO Share Option Scheme and pre-IPO options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this Scheme. No further pre-IPO option will be granted under the Pre-IPO Share Option Scheme after the Listing.
- (iii) This Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

**(b) Options**

- (i) The Board shall, subject to and in accordance with the provisions of this Pre-IPO Share Option Scheme and the Listing Rules, be entitled to but shall not be bound,

at any time on any Business Day during the 180-day period commencing on the date on which the Pre-IPO Share Option Scheme was adopted, to offer to grant a pre-IPO option to any Eligible Participant whom the Board may in its absolute discretion select and subject to such conditions (including, without limitation, any minimum period for which a pre-IPO option must be held before it can be exercised and/or any performance targets which must be achieved before a pre-IPO option can be exercised) as it may think fit, provided that the maximum number of Shares in respect of which pre-IPO options may be granted under this Pre-IPO Share Option Scheme to any Eligible Participant, shall not, when aggregated with:

- any Shares issued upon exercise of pre-IPO options or options under the other schemes which have been granted to that Eligible Participant;
- any Shares which would be issued upon the exercise of outstanding pre-IPO options or options under the other schemes granted to that Eligible Participant; and
- any Cancelled Shares which were the subject of pre-IPO options or options under the other schemes which had been granted to and accepted by that Eligible Participant,

in any 12-month period up to the Offer Date, exceed one per cent of the number of Shares in issue on the Offer Date.

- (ii) If the Board determines to offer a pre-IPO option to an Eligible Participant, the Board shall forward to the relevant Eligible Participant an offer document in such form as the Board may from time to time determine which states (or, alternatively, documents accompanying the offer document which state), among others:
- the Eligible Participant's name, address and occupation;
  - the Offer Date;
  - the Acceptance Date;
  - the Commencement Date or, if the Option Period does not commence on the Commencement Date, the date of commencement of the Option Period;
  - the number of Shares in respect of which the pre-IPO option is offered;
  - the Exercise Price and the manner of payment of the Exercise Price for the Shares on and in consequence of the exercise of the pre-IPO option;
  - the Expiry Date in relation to that pre-IPO option;
  - the method of acceptance of the pre-IPO option; and
  - such other terms and conditions (including, without limitation, any minimum period for which a pre-IPO option must be held before it can be exercised

and/or any performance targets which must be achieved before the pre-IPO option can be exercised) relating to the offer of the pre-IPO option which in the opinion of the Board are fair and reasonable but not being inconsistent with this Pre-IPO Share Option Scheme and the Listing Rules.

- (iii) A pre-IPO option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the pre-IPO option duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant Acceptance Date. Such remittance shall in no circumstances be refundable.
- (iv) Any offer to grant a pre-IPO option may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the pre-IPO option. To the extent that the offer to grant a pre-IPO option is not accepted by the Acceptance Date, it shall be deemed to have been irrevocably declined.
- (v) The pre-IPO options shall not be listed or dealt in on the Stock Exchange.
- (vi) A pre-IPO option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any pre-IPO option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to this Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding pre-IPO options or any part thereof granted to such grantee.

(c) *Exercise Price*

The Exercise Price in relation to each pre-IPO option offered to an Eligible Participant shall be the price as may be determined by the Board.

(d) *Exercise of Options*

- (i) A pre-IPO option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the pre-IPO option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days of receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the Auditors or the approved independent financial adviser as the case may be, our Company shall allot and issue the relevant number of Shares to the grantee

credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

- (ii) Each of the grantees to whom a pre-IPO option has been granted under this Pre-IPO Share Option Scheme shall be entitled to exercise his/her pre-IPO option at any time during the Option Period or such period as may be specified by the Board at the time of grant.
- (iii) Subject as hereinafter provided and only to the extent to which the pre-IPO option is exercised, a pre-IPO option may be exercised by a grantee at any time or times during the Option Period, provided that:
  - if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms, *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them, shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days of the date on which such general offer becomes or is declared unconditional;
  - if, pursuant to the Cayman Companies Law, a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it dispatches to members and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his pre-IPO options in whole or in part at any time prior to 12 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective pre-IPO options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all pre-IPO options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of pre-IPO options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such

compromise or arrangement. If, for any reason, such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective pre-IPO options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension; and

- in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death, ill-health, injury, disability of the grantee, his Personal Representative(s) or Attorney(s)) shall be entitled to exercise all or any of his pre-IPO options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

- (iv) The Shares to be allotted upon the exercise of a pre-IPO option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject as aforesaid, the Shares to be allotted upon the exercise of a pre-IPO option shall be subject to all the provisions of the constitutional documents of our Company for the time being in force and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of our Company and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(e) *Lapse of Option*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the Expiry Date relevant to that pre-IPO option;
- (ii) the date on which the scheme of arrangement of our Company becomes effective;

- (iii) the date of commencement of the winding-up of our Company (as determined in accordance with the Cayman Companies Law);
- (iv) the date on which the grantee ceases to be an Eligible Participant for any reason including his death, ill-health, injury, disability, resignation or dismissal, or by reason of the termination of his relationship with our Group or any Affiliates on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offense involving his integrity or honesty or in relation to an employee of our Group or any Affiliates (if so determined by the Board or the board of directors of the relevant Affiliates) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group or any Affiliates (including on redundancy). A resolution of the Board or the board of directors of the relevant Affiliates to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and
- (v) the date on which the Board shall exercise our Company's right to cancel the pre-IPO options at any time after the grantee commits a breach or the pre-IPO options are cancelled.

(f) *Maximum Number of Shares available for Subscription*

The maximum number of Shares in respect of which pre-IPO options may be granted is 200,000,000 Shares, representing approximately 5% of the issued share capital of our Company upon completion of the Global Offering ("**Scheme Limit**") (assuming the Over-allotment Option (as defined in the Prospectus) is not exercised).

(g) *Capital Restructuring*

- (i) Save as provided for in and subject to the offer document, in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- the number of Shares subject to any outstanding pre-IPO options; and/or
- the Exercise Price,

as the Auditors or the approved independent financial adviser shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplemental guidance attached to the Stock Exchange's letter dated September 5, 2005 to all the issuers relate to share option schemes (the "Supplemental Guidance")) as that to which he was entitled to subscribe had he



exercised all the pre-IPO options held by him immediately before such adjustments and the aggregate Exercise Price payable by a grantee on the full exercise of any pre-IPO options shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

- (ii) In respect of any adjustments, other than any made on a capitalization issue, the Auditors or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the Supplemental Guidance and/or such other requirement prescribed under the Listing Rules from time to time.

(h) *Sufficient Share Capital*

The Board shall at all times set aside for the purposes of this Pre-IPO Share Option Scheme, out of the authorized but unissued share capital of our Company, such number of Shares as the Board may from time to time determine to be sufficient to meet subsisting requirements for the exercise of outstanding Options.

(i) *Alteration of this Pre-IPO Share Option Scheme*

- (i) The terms and conditions of this Pre-IPO Share Option Scheme and the regulations for the administration and operation of this Pre-IPO Share Option Scheme (provided that the same are not inconsistent with this Pre-IPO Share Option Scheme and the Listing Rules) may be altered in any respect by resolution of the Board except that:

- any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the definitions of “Affiliate”, “Eligible Participant”, “Expiry Date”, “Grantee” and “Option Period”; or
- any material alteration to the terms and conditions of this Pre-IPO Share Option Scheme or any change to the terms of pre-IPO options granted (except any alterations which take effect automatically under the terms of this Pre-IPO Share Option Scheme),

must be made with the prior approval of the shareholders of our Company in general meeting at which any persons to whom or for whose benefit the Shares may be issued under this Pre-IPO Share Option Scheme and their respective associates shall abstain from voting PROVIDED THAT no alteration shall operate

to affect adversely the terms of issue of any pre-IPO options granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such pre-IPO options prior to such alteration except with:

- the consent in writing of grantees holding in aggregate pre-IPO options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all pre-IPO options outstanding on that date; or
- the sanction of a Special Resolution.

Written notice of any alterations made shall be given to all grantees.

(ii) In respect of any meeting of grantees, all the provisions of the constitutional documents for the time being of our Company as to general meetings of our Company shall apply *mutatis mutandis* as though the pre-IPO options were a class of shares forming part of the capital of our Company except that:

- not less than seven days' notice of such meeting shall be given;
- a quorum at any such meeting shall be two grantees present in person or by proxy and holding pre-IPO options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all pre-IPO options then outstanding unless there is only one grantee holding all pre-IPO options then outstanding, in which case the quorum shall be one grantee;
- every grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he would be entitled upon exercise in full of his pre-IPO options then outstanding;
- any grantee present in person or by proxy may demand a poll; and
- if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting, those grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

(j) *Termination*

The Company by resolution in general meeting or the Board may at any time resolve to terminate the operation of this Pre-IPO Share Option Scheme and in such event no

further pre-IPO options shall be offered but the provisions of this Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any pre-IPO options granted prior to the termination or otherwise as may be required in accordance with the provisions of this Pre-IPO Share Option Scheme and pre-IPO options granted prior to such termination shall continue to be valid and exercisable in accordance with this Scheme.

*(k) Cancellation of Options*

Any cancellation of pre-IPO options granted but not exercised must be approved by the grantees of the relevant pre-IPO options in writing. Where our Company cancels pre-IPO options, the grant of new options to the same grantee may only be made under this Pre-IPO Share Option Scheme within the limit set out above.

**2. Outstanding Pre-IPO Share Options**

On November 30, 2012, options to subscribe for an aggregate of 197,923,000 Shares (representing 4.95% of the total issued share capital of our Company immediately upon completion of the Global Offering and Capitalization Issue (but taking no account of our Shares to be issued pursuant to the exercise of the Pre-IPO Share Options, options which may be granted under the Share Option Scheme or the Over-allotment Option)) were granted by our Company under the Pre-IPO Share Option Scheme for a consideration of HK\$1.00 per option. Save as disclosed below, no Directors, substantial shareholders or other connected persons or their respective associates have been granted Pre-IPO Share Options.

Particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Scheme are set out below:

Name of grantee <sup>(Note 1)</sup>	Address	Job Title	Number of underlying Shares subject to option	Approximate percentage of issued share capital of our Company immediately upon the Listing <sup>(Note 2)</sup>
<i>Directors, chief executive or substantial holders of our Company or subsidiaries, or our respective associates</i>				
Liu Haijun (劉海軍)	Room 202, No. 29, Lane 728, Changdao Road, Pudong New Area, Shanghai, PRC.	Executive Director and Senior Vice President	3,040,000	0.0760
Zhuang Yongqing (莊永青)	Room 1201, No.12, Lane 88, East Jinan Road, Pudong, Shanghai, PRC.	Vice President	3,648,000	0.0912
Chen Wenfeng (陳文峰)	Room 302, Building No. 6, No. 77, Lane 569, Xinhua Road, Changning District, Shanghai, PRC.	Executive Director, Chief Financial Officer and Senior Vice President	1,900,000	0.0475
Cui Ying (崔穎)	Room 1401, No. 19, Lane 88, Dongxin Road, Putuo District, Shanghai, PRC.	Senior Vice President	3,040,000	0.0760
Dong Hua (董華)	Room 302, Door 2, Building No. 4, No. 78, Beiyuan Road, Chaoyang District, Beijing, PRC.	Vice President	2,660,000	0.0665
<b>Sub-total</b>			14,288,000	0.3572
<i>Senior management of our Group (who are not Directors, chief executive or substantial shareholders of our Company or subsidiaries, or our respective associates)</i>				
Xia Wenji (夏文基)	Staff Quarters, Wison (Yangzhou) Chemical Machinery Co., Ltd., Zhaojiahe Road, Chahe Street, Yangzhou, Jiangsu Province, PRC.	General Manager	1,786,000	0.0447
Luk Wai Mei (陸慧薇)	Flat 16, 3rd Floor, 41 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong.	Company Secretary	1,520,000	0.0380
Zhou Hongliang (周宏亮)	Room 1603, No. 7, Lane 333, Songlin Road, Pudong New Area, Shanghai, PRC.	Senior Vice President	3,040,000	0.0760
Lin Zhong (林中)	Room 802, No. 23, Lane 1769, Wulian Road, Pudong New Area, Shanghai, PRC.	Vice President	2,356,000	0.0589

Name of grantee <sup>(Note 1)</sup>	Address	Job Title	Number of underlying Shares subject to option	Approximate percentage of issued share capital of our Company immediately upon the Listing <sup>(Note 2)</sup>
Li Yansheng (李延生)	Room 201, No. 43, Lane 728, Changdao Road, Pudong New Area, Shanghai, PRC.	Vice President	1,900,000	0.0475
Sun Xiaoguang (孫曉光)	Room 1102, No. 30, Lane 2003, Xincun Road, Putuo District, Shanghai, PRC.	Vice President	1,900,000	0.0475
Xu Tan (徐坦)	Room 901, Unit 1, Building No. 2, Oceanwide International Xianghaiyuan, 95 Yaojiayuan Road, Chaoyang District, Beijing, PRC.	Vice President	1,900,000	0.0475
Yang Zhimin (楊志敏)	No. 18, Building 2, Compound No. 51, Daxue North Road, Erqi District, Zhengzhou, Henan Province, PRC.	Vice President	1,900,000	0.0475
Yang Dechang (楊德昌)	Room 901, Unit 22, Lane 5291, Yanggao North Road, Pudong New District, Shanghai, PRC.	Vice President	1,900,000	0.0475
Yang Guangping (楊廣平)	Room 902, No. 88, Lane 811, Boshan East Road, Pudong New District, Shanghai, PRC.	Vice President	1,900,000	0.0475
Man Tangquan (滿堂泉)	Room 1801, Building No. 8, Yuhui North Road, Chaoyang District, Beijing, PRC.	Vice President	1,900,000	0.0475
Hua Lingsu (華令蘇)	Room 202, No. 11, Lane 1728, Wulian Road, Pudong New Area, Shanghai, PRC.	Senior Manager	1,900,000	0.0475
Li Baoyou (李保有)	Room 1705, Building No. 3, Area 1, 8 Yuhui North Road, Chaoyang District, Beijing, PRC.	Vice President	1,900,000	0.0475
Chen Huimei (陳惠梅)	4-1101, Lane 1728, Chengshan Road, Pudong New Area, Shanghai, PRC.	Vice President	1,900,000	0.0475
Fan Weijie (范慰頤)	Room 1101, Building No. 8, Area 3, 8 Yuhui North Road, Chaoyang District, Beijing, PRC.	Vice President	1,900,000	0.0475

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Name of grantee <sup>(Note 1)</sup>	Address	Job Title	Number of underlying Shares subject to option	Approximate percentage of issued share capital of our Company immediately upon the Listing <sup>(Note 2)</sup>
Li Jianzhong (李建中)	Staff Quarters, Wison (Yangzhou) Chemical Machinery Co., Ltd., Zhaojiahe Road, Chahe Street, Yangzhou, Jiangsu Province, PRC.	Vice President	570,000	0.0142
<b>Sub-total</b>			30,172,000	0.7543
<i>Employees, executives and officers of Wison Holding or any of its subsidiaries who were granted options to subscribe for more than 1,000,000 Shares</i>				
Qu Song (曲頌)	Room 1102, No. 22, Lane 399, Zaozhuang Road, Pudong New Area, Shanghai, PRC.	Vice President, Wison (China) Holding Company (惠生(中國)投資有限公司)	3,648,000	0.0912
Zhu Changcheng (朱長城)	Room 502, No. 11, Lane 666, Jiuxiu Road, Pudong New Area, Shanghai, PRC.	Vice President, Wison (China) Holding Company (惠生(中國)投資有限公司)	3,648,000	0.0912
Ma Jian (馬堅)	Room 1801, No. 2, Lane 511, Dongming Road, Pudong New Area, Shanghai, PRC.	Vice President, Wison (China) Holding Company (惠生(中國)投資有限公司)	3,040,000	0.0760
Li Fengxian (李鳳先)	Room 1001, No. 21, Lane 828, Chenhui Road, Pudong New Area, Shanghai, PRC.	Vice President, Wison (China) Holding Company (惠生(中國)投資有限公司)	1,900,000	0.0475
Yan Feng (閔峰)	Room 902, No. 36, Lane 2000, Donglu Road, Pudong New Area, Shanghai, PRC.	Vice President, Wison (China) Holding Company (惠生(中國)投資有限公司)	3,040,000	0.0760
Wan Ruping (萬如平)	Room 3403, No. 6, Lane 3728, Jinqiao Road, Pudong New Area, Shanghai, PRC.	Finance Manager, Wison (China) Holding Company (惠生(中國)投資有限公司)	1,520,000	0.0380
Jiang Qingguo (姜慶國)	Room 201, No. 2, Lane 1155, Yuyuan Road, Shanghai, PRC.	Legal Director, Wison (China) Holding Company (惠生(中國)投資有限公司)	1,900,000	0.0475
An Wenxin (安文新)	3-501, Fumin Garden, Development Area, Nantong, Jiangsu Province, PRC.	Vice President, Wison Nantong	2,660,000	0.0665



Name of grantee <sup>(Note 1)</sup>	Address	Job Title	Number of underlying Shares subject to option	Approximate percentage of issued share capital of our Company immediately upon the Listing <sup>(Note 2)</sup>
Wei Huaqing (魏華清)	138-101, Emma Garden, Development Area, Nantong, Jiangsu Province, PRC.	Project Manager, Wison Nantong	1,330,000	0.0333
Meng Ke (孟克)	Room 601, No. 2, Lane 3728, Jinke Road, Pudong New Area, Shanghai, PRC.	Manager, Wison Nantong	1,140,000	0.0285
<b>Sub-total</b>			23,826,000	0.5957
<i>Employees of our Group (who are not Directors, chief executive, substantial shareholders or senior management of our Company or subsidiaries, or our respective associates) who were granted options to subscribe for more than 1,000,000 Shares</i>				
Zhang Chenhui (章晨暉)	Room 602, No. 12, Lane 108, Shanhua Road, Minhang District, Shanghai	Technical Director	1,140,000	0.0285
Lv Jianning (呂建寧)	Room 302, Building No. 3, Lane 1068, Jingao Road, Pudong New Area, Shanghai	R&D Vice President	1,330,000	0.0333
Zheng Shifeng (鄭世鋒)	Room 201, No. 28, Lane 1313, Lijin Road, Pudong New Area, Shanghai, PRC.	Manager	1,900,000	0.0475
Li Haiqiang (黎海強)	3/F, No. 11, Lane 295, Section 1, Tun Hwa South Road, Taipei 106, Taiwan.	Manager	1,520,000	0.0380
Wen Bin (文彬)	Room 201, No. 81, Lane 811, Boshan East Road, Pudong New Area, Shanghai, PRC.	Vice Manager	1,140,000	0.0285
Li Weichao (李圍潮)	Room 401, Door 4, Building 211, Huizhong Lane, Chaoyang District, Beijing, PRC.	Function Supervisor	1,140,000	0.0285
<b>Sub-total</b>			8,170,000	0.2043
Remaining grantees (505 other grantees, comprising other 475 employees of our Group and other 30 employees, executives and officers of Wison Holding or any of its subsidiaries)			121,467,000	3.0366
<b>Total</b>			197,923,000	4.9481

**Notes:**

- Each grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon the exercise of his/her option and the holding of such Shares.
- These percentages are calculated on the basis of 4,000,000,000 Shares in issue immediately following completion of the Capitalization Issue and the Global Offering and assuming that none of the Pre-IPO Share Options has been exercised and taking no account of any Shares that may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option.

The exercise price for our Shares under the Pre-IPO Share Option Scheme is 30% of the final Offer Price. Outstanding and unexercised Pre-IPO Share Options may be exercisable during the option period, the expiry date of which is no later than the last business day of the 96th month after the Listing Date.

Based on the number of issued Shares immediately following completion of the Global Offering and Capitalization Issue and assuming that the Pre-IPO Share Options, options that may be granted under the Share Option Scheme and the Over-allotment Option have not been exercised, full exercise of the Pre-IPO Share Options would result in the issued share capital of our Company being increased by approximately 4.95%, hence diluting the shareholdings of our Shareholders. Assuming all Pre-IPO Share Options had been exercised in full on January 1, 2009, but not taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or the Over-allotment Option, this will have a dilutive effect on (i) the shareholdings of the Shareholders of approximately 4.71%; and (ii) earnings per Share of approximately 4.71%. As of the date of this prospectus, none of the Pre-IPO Share Options had been exercised by the grantees.

Application has been made to the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of the Pre-IPO Share Options. Our Company has applied to the Stock Exchange and the SFC respectively for and has been granted: (i) a waiver from strict compliance with the disclosure requirements under Rules 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules; and (ii) an exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance on the ground that full compliance with requirements would be unduly burdensome for our Company. See “Waivers from Compliance with the Listing Rules” in this prospectus.

## **G. OTHER INFORMATION**

### **1. Tax and other indemnities**

Mr. Hua, Wison Investment, and Wison Holding (the “Indemnifiers”) have (pursuant to the deed of indemnity referred to in “—Further information about our business—Summary of material contracts” above) given joint and several indemnities in connection with, amongst other things:

#### *(a) Tax liabilities*

Taxation claim including income tax, profits tax, provisional profits tax, capital gains tax, value-added tax, land appreciation tax, interest tax, salaries tax, property tax, import duty, estate duty, capital duty, stamp duty, withholding tax, rates, customs and excise duties and any interest, penalty or other liability arising in connection with the imposition for non-payment or delay in payment of such forms of taxation and generally any tax, duty, impost, levy or rates or any amount payable to the revenue, customs, fiscal or other authorities whether of Hong Kong, the PRC or of any other part of the world.

#### *(b) Social insurance and housing fund liability*

Any claim in respect of any losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group as a result of directly or indirectly or in connection with the social insurance and housing fund contributions due or payable for employees of our Group that any member of our Group failed to make prior to the Listing.

(c) *Product and other liabilities*

Any product and other liability claim or third party claim or claim in respect of losses, liabilities, damages, costs, charges, fees, expenses and fines incurred as a result of our Group's business operation and/or contractual obligations prior to the Listing, including, but not limited to, those arising from (i) death, personal injury or damage to property caused by a defective product or defective services sold, supplied or provided by any member of our Group; (ii) the holding of expired licenses or permits or qualification; (iii) the demand from the relevant government authorities (before or after such date) to return the granted financial subsidies and/or preferential tax treatments or benefits, if any; (iv) the failure to comply with all relevant regulatory requirements relating to the housing pension and/or retirement benefit schemes for its employees and/or non-payment thereof, if any; (v) the failure to comply with all relevant regulatory requirements relating to work safety and/or environmental pollution; and (vi) the possible infringement of any third parties' intellectual property rights.

(d) *Property liabilities*

Any property claims or third party claims in respect of any losses, liabilities, damages, costs, charges, fees, expenses and fines arising out of (i) any breach or non-compliance of any user and/or breach or non-compliance of other terms, conditions, covenants, restrictions of the relevant agreement (including, but not limited to, mortgage, legal charge and tenancy agreement) or of any land use right, sale and purchase agreement or holding of any defective real estate title certificate or any other title documents in respect of any property or (ii) any eviction of any member of our Group from any property for any reason whatsoever by any government authority or any third party.

The Indemnifiers will, however, not be liable for taxation under the deed of indemnity to the extent that:

- (a) provision has been made for such taxation in the audited accounts of any member of our Group for the three years ended December 31, 2011 and the six months ended June 30, 2012; or
- (b) such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after June 30, 2012 unless liability for such taxation would not have arisen but for some other act or omission of, or transaction entered into by, the Indemnifiers, or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the Global Offering becomes unconditional; or
- (c) such taxation or liability is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability; or

- (d) such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof of the Inland Revenue Department or any other statutory or governmental authority (in Hong Kong or elsewhere) having retrospective effect and coming into force after the date of the deed of indemnity, or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect.

Our Company has been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

## **2. Litigation**

Neither our Company nor any other member of our Group is engaged in any litigation or arbitration with material adverse impact and, so far as our Directors are aware, no other litigation, arbitration or claim with material adverse impact is pending or threatened by or against any member of our Group.

## **3. Listing Application**

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

## **4. Preliminary expenses**

The preliminary expenses incurred by our Company were approximately HK\$23,000, and were payable by our Company.

## **5. Promoter**

Our Company has no promoter.

## 6. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

<u>Expert</u>	<u>Qualification</u>
Citigroup Global Markets Asia Limited	Licensed corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deutsche Bank AG, Hong Kong Branch	Licensed corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
BOCOM International (Asia) Limited	Licensed corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional surveyors and valuers
Appleby	Cayman Islands legal advisers
Beijing Jia Yuan Law Firm	PRC legal advisers
BDO Financial Services Limited	Internal control adviser

## 7. Consents of experts

Each of Citi, Deutsche Bank, BOCOM Asia, Ernst & Young, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Appleby, Beijing Jia Yuan Law Firm and BDO Financial Services Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate(s) and/or the references to its name in the form and context in which they are respectively included.

## 8. No business interruption

There has not been any interruption in the business of our Group which has had a significant effect on the financial position of our Group in the last 12 months preceding the date of this prospectus.

## 9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**10. Particulars of the Selling Shareholder**

Pursuant to the Global Offering, the Selling Shareholder will sell 120,000,000 Shares under the Placing. The particulars of the Selling Shareholder is as follows:

Name:	Wison Investment
Description:	Company with limited liability
Address:	P.O. Box 146, Road Town, Tortola, British Virgin Islands
Shareholders:	Wison Investment is 100% owned by Wison Holding, which is 100% owned by Mr. Hua
Number of Sale Shares:	120,000,000 Shares

**11. Bilingual Prospectus**

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**12. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (d) since June 30, 2012 (being the date to which the latest audited financial statements of our Group were made up), there has not been any material adverse effect in the financial or trading position of our Group;
- (e) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement; and
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system.



**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the white, yellow and green Application Forms, the written consents referred to in “Appendix VI—Statutory and General Information—Other information—Consents of experts” and copies of the material contracts referred to in “Appendix VI—Statutory and General Information—Further information about our business—Summary of material contracts”.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Cadwalader, Wickersham & Taft LLP in association with Joseph P. C. Lee & Associates, 27th Floor, 100QRC, 100 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the memorandum and articles of association of the Company;
- (2) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I;
- (3) the report on the unaudited pro forma financial information, the text of which is set out in Appendix II;
- (4) the audited consolidated financial statements of our Company for the three years ended December 31, 2011 and the six months ended June 30, 2012;
- (5) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which are set out in Appendix III;
- (6) a copy of the letter of advice prepared by Appleby summarizing certain aspects of Cayman Islands company law referred to in Appendix V;
- (7) the rules of the Share Option Scheme and the Pre-IPO Share Option Scheme;
- (8) the full list of grantees who have been granted the Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme;
- (9) the material contracts referred to in “Appendix VI—Statutory and General Information—Further information about our business—Summary of material contracts”;
- (10) the service contracts referred to in “Appendix VI—Statutory and General Information—Further information about our Directors, management and staff—Particulars of Directors’ service contracts”;
- (11) the written consents referred to in “Appendix VI—Statutory and General Information—Other information—Consents of experts”;

- (12) the legal opinion (in Chinese) prepared by Beijing Jia Yuan Law Firm in respect of, inter alia, general matters, property interest and taxation matters of the Group;
- (13) the industry report prepared by CMAI and referred to in “Industry Overview”;
- (14) the tendering process internal control review report prepared by BDO Financial Services Limited and referred to in “Business—Our Project Tendering Process”;
- (15) the Cayman Companies Law; and
- (16) a statement of particulars of the Selling Shareholder.

***WISON***

惠生工程技術服務有限公司  
Wison Engineering Services Co. Ltd.