Annual Report 2013

Wison Engineering Services Co. Ltd.

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

Passion Powering Progress

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Hua Bangsong *(Chairman)*
Mr. Liu Haijun
Mr. Cui Ying
Mr. Zhou Hongliang

Independent Non-executive Directors
Mr. Liu Ji
Mr. Wu Jianmin

AUDIT COMMITTEE

(Chairman of the committee — to be appointed)
Mr. Liu Ji
Mr. Wu Jianmin

NOMINATION COMMITTEE

Mr. Wu Jianmin *(Chairman)*
Mr. Liu Ji
Mr. Hua Bangsong

REMUNERATION COMMITTEE

Mr. Liu Ji *(Chairman)*
Mr. Wu Jianmin
Mr. Hua Bangsong

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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George Town
Grand Cayman KY1-1108
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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183 Queen's Road East
Wan Chai
Hong Kong

COMPANY SECRETARY

Ms. Luk Wai Mei

AUTHORISED REPRESENTATIVES

Mr. Cui Ying
Ms. Luk Wai Mei

AUDITORS

Ernst & Young

PRINCIPAL BANKS

Agricultural Bank of China
China Minsheng Banking Corporation Limited
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

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COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Financial Summary

	For the year ended or as at December 31,				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**3,674,518**	4,891,908	5,036,622	4,976,220	1,884,387
Gross profit	**142,810**	1,139,631	1,206,727	1,220,409	559,226
(Loss)/Profit before tax	**(546,291)**	699,929	795,217	818,659	295,252
Income tax	**32,619**	(165,606)	(205,504)	(182,639)	(65,309)
(Loss)/Profit for the year	**(513,672)**	534,323	589,713	636,020	229,943
Attributable to:					
Owner of the parent	**(471,301)**	466,812	518,753	567,685	206,642
Non-controlling interests	**(42,371)**	67,511	70,960	68,335	23,301

Financial Summary

	For the year ended or as at December 31,				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**1,506,863**	1,058,375	680,641	332,207	332,956
Current assets	**5,439,034**	6,610,645	3,538,712	5,613,386	3,809,264
Current liabilities	**5,419,531**	5,266,080	3,150,944	4,548,269	3,499,782
Net current assets	**19,503**	1,344,565	387,768	1,065,117	309,482
Total assets less current liabilities	**1,526,366**	2,402,940	1,068,409	1,397,324	642,438
Non-current liabilities	**23,187**	350,750	263,986	382,019	263,153
Net assets	**1,503,179**	2,052,190	804,423	1,015,305	379,285
Issued capital	**329,803**	324,560	1	–	–
Reserves	**1,086,408**	1,576,376	649,325	841,013	273,328
Non-controlling interests	**86,968**	151,254	155,097	174,292	105,957
Total equity	**1,503,179**	2,052,190	804,423	1,015,305	379,285
Earnings per share					
Basic	**RMB(0.12)**	RMB0.13	N/A	N/A	N/A
Diluted	**N/A**	RMB0.13	N/A	N/A	N/A

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OVERALL REVIEW

Looking back at 2013, the global economy grew at a modest pace, while China recorded a year-on-year GDP increase of 7.7%, outperforming other major economies and becoming a major stabilizing force in the region. China's steady economic development, improved external demand, rebound in consumption growth together with the full implementation of economic reforms such as industrialization and urbanization, contributed as major driving forces behind the steady economic growth, energy demand and development of related energy service industries.

Guided by the three established development strategies — "business diversification", "strengthening technological R&D and innovation capabilities" and "improving operational management backed by talents development and information technology", in the first half of the year, Wison Engineering Services Co. Ltd (the "**Company**", together with its subsidiaries, the "**Group**") has well grasped the favorable trends in coal-to-chemicals industry and reaped satisfactory results in business diversification. In addition to the high-standard delivery and commencement of Baoji Methanol Project of Xuzhou Coal Mining Group and Jinchengtai Methanol Project , the Group secured a number of new orders, including Shanxi Lu'an Mining (Group) High Sulfur Coal-to-Liquid, Chemical, Heat and Power Integration Project, and Shandong Yangmei Hengtong's MTO Project. The Group's first overseas EPC project achieved mechanical completion as well. Furthermore, technological development and promotion of proprietary technologies progressed smoothly with the start of collaboration in areas of coal-to-glycol and coal-to-substitute natural gas, laying a foundation for the Group's long-term technological reserves.

2013 has been a year of challenges for the Group. The Chairman and the executive director of the Company, Mr. Hua Bangsong was required to assist the relevant PRC authorities in their investigations and was therefore temporarily unable to perform his duties. In March 2014, the Company learned from a family member of Mr. Hua Bangsong that Mr. Hua has been arrested by PRC public security authority over alleged bribery activity. However, the case is still under investigation. Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended since September 2 , 2013.

The board of directors (the "**Board**") of the Company made proactive and swift responses to this unexpected incident by constantly reviewing its business operations and engaging in an array of initiatives. First, the Group strengthened its professional management team and structure through the appointments in September 2013 of Mr. Cui Ying, who has extensive experience in strategic management, sales and marketing, and Mr. Zhou Hongliang, who has 20 years of experience in project management and operations in the petrochemicals industry, as executive directors of the Group, to ensure that the Group's operations continue smoothly and are in

line with its business plans. Second, the Group reinforced its cash flow control and actively communicated with its bankers to seek their understanding and support. The Board promptly changed the use of its IPO proceeds, reallocating idle cash from the net proceeds that was either not of immediate use or no longer needed for their originally intended purposes, to be earmarked for additional working capital as well as to reduce the Group's leverage level, to facilitate the effective use of financial resources. Meanwhile, the Group has been in active communications and negotiations with its bankers with the immediate aim of reaching consensus on a debt stabilization programme so that the Group could continue to fulfill its contracts and other obligations and to maintain normal business operations, mitigating the impacts that the investigations would otherwise have on the Group, its shareholders, customers and other stakeholders. Moreover, the Group abided by and enhanced its corporate governance standards and took an active approach in maintaining close communications with external parties by constantly updating the market via announcements on latest developments in purpose for a high degree of transparency. The Board will continue to assess the impact of the investigations on the Group's business operation and financial performance from time to time, and will announce updates on any results of the investigations as they become available for disclosure to enable shareholders, stakeholders and the public to stay abreast of the Group's operations on a timely basis.

In addition to the measures described above, the Board with all the staff continues to adhere to its established development strategies since the occurrence of the incident. MTO separation technology, for which the Company has proprietary intellectual property rights, was successfully commercialized in September 2013 at the Nanjing Chemical Industrial Park, and qualified ethylene and propylene products have been successfully produced at the plant, thus serving as a solid record for its future promotion of this proprietary technology. Further to Shandong Yangmei Hengtong and other clients who adopted the Group's proprietary MTO separation technology, more projects have been applied this technology, including Shandong Lianmeng 360kta polystyrene and auxiliary project — 300kta MTO plant. Meanwhile, the Wison-Shell Hybrid Gasification Demonstration Plant has successfully started up in Nanjing in October 2013, marking the commencement of the demonstration and application phase of the technology.

Led by technological R&D and innovation, the Group's design and consultation services have opened up new space for development by constantly making breakthroughs. In 2013, the Group leveraged its technological advantages to enter into 18 new design or technology service or consulting service contracts. In addition to the engineering design contracts, patent licensing, process design package compilation and technology service contracts for the aforesaid MTO plants, the Group also secured engineering design

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contracts for Shandong Longgang 800kta heavy oil hydrocracking project and Xuzhou Coal Mining Group's 600kta methanol phase I upgrading project, etc. The Group also made further breakthroughs in overseas markets by obtaining an EPC contract for a newly built cracking furnace in Saudi Arabia and the site preparation contract for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela in September 2013. The latter is the largest oil refinery project in Latin America to be acquired by Chinese company. These business developments have built a sound foundation for the Group to bottom out and take a new leap forward.

FINANCIAL HIGHLIGHTS

For the twelve months ended December 31, 2013 ("**Year under Review**"), the Group's revenue amounted to approximately RMB3,674.5 million (2012: approximately RMB4,891.9 million). Gross profit was approximately RMB142.8 million (2012: approximately RMB1,139.6 million). The decreases in revenue and gross profit levels were mainly due to: (i) the postponement of an individual project at the request of its owner during the year, resulting in its progress lagging behind the targeted project schedule for the year 2013; (ii) delay in construction of the project that was originally scheduled for kick-off during the year; (iii) the change in pricing method for individual projects during the year, which reduced the overall gross profit margin of the projects concerned, with impacts recognized during the year; and (iv) the recognition of miscellaneous additional costs associated with some modifications related to various installations of certain completed projects during the year, but clearings of increased expenses with the owners have not yet completed. The aforesaid reasons were all related to the uncertainties derived earlier on from the investigations.

Loss for the year amounted to approximately RMB513.7 million (2012 profit for the year of approximately RMB534.3 million), while loss for the year attributable to owner of the parent amounted to approximately RMB471.3 million (2012 profit for the year attributable to owner of the parent: approximately RMB466.8 million). The decline in profitability after tax was mainly due to the decline in gross profit itself as well as to (i) increased equity settled share option employee benefits expense in respect of share options that were granted in November 2012; (ii) recognition of exchange loss from IPO proceeds (denominated in HK dollars); (iii) additional management fees for the newly opened R&D headquarter in Shanghai; and (iv) increased salary costs resulting from the increase in average headcounts as compared to 2012.

During the Year under Review, the Group continued to expand its customer base, with new contract value, net of estimated value added tax ("**VAT**"), amounting to RMB12,923.2 million (2012: approximately RMB20,759.7 million), of which coal-to-chemicals, oil refineries, petrochemicals and other products and services business segments accounted for 49.4%, 40.0%, 3.9% and 6.7%, respectively. Backlog amounted to approximately RMB23,560.8 million (2012: approximately RMB27,341.1 million), of which coal-to-chemicals, oil refineries, petrochemicals and other products and services business segments accounted for 31.6%, 46.8%, 19.4% and 2.2%, respectively.

During the Year under Review, the Group's operating results have impact on the financial position of the Group as at December 31, 2013. As at December 31, 2013, the Group has unpledged cash and bank balances of RMB293.5 million (2012: RMB1,746.0 million), net current assets of RMB19.5 million (2012: RMB1,344.6 million) and net assets of RMB1,503.2 million (2012: RMB2,052.2 million).

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Coal-to-chemicals

During the Year under Review, revenue from the Group's coal-to-chemicals business amounted to RMB1,407.5 million (2012: RMB3,173.2 million), accounting for approximately 38.3% of total revenue. The decrease in revenue from this business segment was primarily due to the completion of the Baoji Methanol Project of Xuzhou Coal Mining Group during the previous year under review, and that other coal-to-chemicals projects including Shanxi Lu'an Projects have not entered into their principal construction phase. Moreover, an individual project was postponed at the request of its owner during the year, and therefore its progress lagged behind the targeted schedule for 2013. The project was resumed by December 31, 2013.

Backlog and new contract value amounted to RMB7,439.9 million and RMB6,379.8 million respectively (2012: RMB15,516.5 million and RMB12,755.4 million respectively).

Despite the enormous challenges it faced, the Group endeavored to sign a number of new contracts during the year, backed by its proprietary coal-to-chemical technologies and excellent track records, and also made major breakthroughs in the R&D and commercialization of coal-to-chemical technologies. For example:

The Group once again collaborated with Shaanxi Changqing Energy & Chemical Co., Ltd. ("**Changqing Energy**") in November 2013 to provide design services for Xuzhou Coal Mining Group's 600 kta methanol phase I upgrading project.

In June 2013, the Group entered into an engineering design contract with Erdos Jinchengtai Chemical Co., Ltd. ("**Jinchengtai**") for its coal-to-methanol project phase II marking a second-time cooperation after the Group undertook the basic and detailed designs and project management services for all production facilities, public utilities and ancillary facilities of its phase I methanol plant.

The Group has also been building up its experience and track record in methanol-to-olefins ("**MTO**") technological and engineering services. In November 2013, the Group, with its proprietary MTO technology, entered into a technology licensing, process package design and technological services contract for the olefin separation unit of a 360kta polystyrene (EPS) project with Shandong Lianmeng Chemical Group Co., Ltd. as well as an engineering design contract for its MTO plant, further strengthening the commercialization of this technology. In the following month, the Group forged ahead to secure an engineering design contract for a 300 kta MTO plant with Shandong Dongrun Clean Energy Co., Ltd..

Moreover, the Group announced in June 2013 that it entered into a procurement and construction (PC) contract with Shandong Yangmei Hengtong Chemicals Company Ltd. to provide equipment and materials procurement, construction and project management services for its 300kta MTO plant. Procurement and preliminary construction of the project are already underway. The project also employed the Group's MTO separation technology in 2012, with engineering design services provided by the Group as well. This is yet another showcase of the Group's provision of one-stop services ranging from patent licensing, design, procurement and construction.

The Group made announcements during the Year under Review, on three contracts it signed with Shanxi Lu'an Mining (Group) Co., Ltd concerning its High Sulfur Coal-to-Liquid, Chemical, Heat and Power Integration Project, including a basic engineering design contract, an EPC contract for the coal gasification plant and a procurement and construction (PC) contract for the purification unit, all OSBL process and heat-supply pipelines. Amongst these, the basic design for public utilities and the coal gasification plant have been completed.

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Also in July 2013, the Group entered into overall design coordination, basic design and technology service contracts for the propane dehydrogenation plant of the second and third productions lines for Shenhua coal-to-liquid phase I project.

The Group received a request from Jiangsu Sailboat Petrochemical Co., Ltd ("Jiangsu Sailboat") in relation to the termination of an EPC and overall design and engineering contract for the Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I) signed in May 2012. The Group is currently engaged in discussions with Jiangsu Sailboat relating to the matter. The termination of the contract, if officially taking effect, would pose material impact on the Group's expected performance. Based on prudent considerations, the Group has decided not to include the contract amount in its current backlog.

During the Year under Review, good progress was made in a number of projects under construction, with Baoji Methanol Project of Xuzhou Coal Mining Group and Jinchengtai Methanol Project completing successful trial run in one attempt and commencing production in May 2013, and Shaanxi Pucheng Clean Energy's public utilities and auxiliary facility projects and polyethylene plant project progressing smoothly. Inner Mongolia Guotai Chemical 400kta coal-to-methanol project is currently under construction.

The first MTO project to employ the Group's MTO separation technology commenced commercial operation at Nanjing Chemical Industrial Park, and the Wison-Shell Hybrid Gasification Demonstration Plant successfully started up in Nanjing in October 2013, marking the commencement of the demonstration and application phase of the new Wison-Shell hybrid gasification technology.

Oil refineries

During the Year under Review, revenue from the Group's oil refinery business segment was RMB51.1 million (2012: RMB301.6 million), representing 1.4% of total revenue. The decline was primarily because the Group's existing oil refinery projects (including refinery projects in PetroChina Sichuan) were substantially completed in the previous year under review, while other oil refinery projects, including the site preparation for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela, have not yet entered into their principal construction phase. As such, overall revenue from the oil refinery business segment for the year ended December 31, 2013 significantly decreased as compared with that of the year ended December 31, 2012.

Backlog and new contract value were RMB11,034.7 million and RMB5,168.4 million respectively (2012: RMB5,909.4 million and RMB6,054.9 million respectively).

The Group actively expanded its oil refinery business during the Year under Review. In September 2013, it secured a design and engineering contract for the first residue hydrocracking plant in China. In relation to Shandong Longgang Chemical Co., Ltd. 800kta heavy oil hydrocracking project, the Group is providing the basic and detailed design services for its residue hydrocracking plant, oil hydrogenation plant, gas recovery plant, as well as design and engineering services for some auxiliary public utilities.

Moreover, the Group secured a procurement and construction contract from PDVSA Petróleo, S.A. ("**PDVSA**") in September 2013 involving the site preparation for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela. The total contract value amounted to approximately US$834 million, making it the largest oil refinery project in Latin America to date to

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be acquired by a Chinese enterprise. This was the second contract awarded to the Group by PDVSA since the Group won the EPC contract in June 2012 for the Deep Conversion Project at the Puerto La Cruz Refinery, in which Hyundai Engineering & Construction Co. Ltd. and Hyundai Engineering Co,. Ltd. jointly participated to form a Hyundai-Wison consortium. The awarding of the contract is yet another testimony to the Group's strategy of business diversification, marking a milestone of its overseas business expansion strategy.

Petrochemicals

During the Year under Review, revenue from the Group's petrochemicals business segment rose to RMB1,473.0 million, increased by 223.2% from the previous year and accounting for 40.1% of total revenue. The increased revenue from the petrochemical business segment was mainly due to the smooth progress made in major petrochemical projects such as Sichuan Shengda project and the benzene mitigation project in Saudi Arabia during the year.

Backlog and new contract value amounted to RMB4,561.1 million and RMB506.0 million respectively (2012: RMB5,534.0 million and RMB623.9 million respectively).

During the Year under Review, new contracts awarded include the 20kta Hexene Unit-1 of the newly built ethylene plant for PetroChina Dushanzi Petrochemical and an EPC contract for a newly built cracking furnace for a company in Saudi Arabia, a follow-on EPC contract the Group secured from the same client.

Sichuan Shengda 1mta purified terephthalic acid (PTA) project has entered installation phase during the Year under Review; 'modularization' concept has been adopted in the construction of Yantai Wanhua 750kta propane dehydrogenation heating furnace project to improve the efficiency and to reduce the construction risk by prefabrication, thus laying a foundation for the smooth hand-over of the project on June 30, 2013. Chongqing's BASF MDI project and the benzene mitigation project in Saudi Arabia have entered major construction phase during the Year under Review.

Other Products and Services

Revenue from other products and services in 2013 was RMB743.0 million (2012: RMB961.4 million), accounting for approximately 20.2% of total revenue, mainly contributed by the overseas Saudi De-Bottlenecking Project and the Zhoushan Wison Marine Engineering Base Project. Revenue from the manufacturing and sales of integrated pining systems composed of heat-resistant alloy tubes and fittings by Wison (Yangzhou) Chemical Machinery Co., Ltd. ("**Wison Yangzhou**"), a wholly-owned subsidiary of the Group, amounted to RMB19.2 million (2012: RMB24.9 million).

Continuous enhancement of advantages in technological innovation

The Group continued to engage in technological innovations during the Year under Review. During the Year under Review, the Group filed new applications for four invention patents, and as of December 31, 2013, the Group was granted 11 licenses for invention patents along with another two applications for software copyright. Moreover, the Group actively pushed on in-depth research and commercialization of the whole set of MTO technologies, technology in butene oxidization and dehydrogenation of butadiene, coal-to-glycol and coal-to-gas technologies. In particular, coal-to-glycol and butene oxidization and dehydrogenation technologies have now reached the stage ready for commercialization.

During the Year under Review, the MTO (methanol-to-olefins) plant designed by the Group and which employed its proprietary olefin separation technology completed a successful start-up at the Nanjing Chemical Industrial Park, producing up-to-standard ethylene and propylene products, marking the first successful commercial application of the Group's proprietary olefin separation technology.

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In addition to proprietary technological R&D, the Group took active initiatives in strengthening internal and external cooperations during the Year under Review. Wison-Shell Hybrid Gasification Demonstration plant commenced operation during the Year under Review, marking the commencement of the demonstration and application phase of this new hybrid gasification technology jointly developed with Shell. Moreover, during the Year under Review, the Group entered into a cooperation agreement with a subsidiary of Foster Wheeler's Global Engineering and Construction Group and Clariant International Ltd. to jointly build a substitute natural gas (SNG) pilot plant. During the Year under Review, the Group also co-established with Tianjin University the "Tianjin University — Wison Research & Development Center for Energy and Chemical Technologies", which is dedicated to the R&D and commercialization of innovative synthesis gas-to-methanol technology. The two parties will jointly conduct exclusive research on innovative and cutting edge technologies that are recognized by both parties in the energy and chemical sector to maintain its leading and advantageous position. Upon its completion within the next few years, the joint R&D center will aim to become an important state-level R&D center in China's energy and chemical industry.

Some laboratories at the R&D centre in Shanghai built with part of the proceeds from the IPO have been put into use and are conducting experiments on catalyst synthesis and testing. Upon commencement of full operation, the labs will focus on research on new coal-to-chemicals technologies, new chemicals technologies and high molecular new materials. The acquisition of land for the R&D centre in Beijing is still pending for approval by the relevant government authorities.

In addition to external cooperation, internal cooperation was also encouraged within the Group. During the Year under Review, Wison Engineering Ltd., an indirect non-wholly owned subsidiary of the Group, entered into a patent-sharing agreement with Wison (Nanjing) Clean Energy Co., Ltd., an indirect non-wholly owned subsidiary of the Company's controlling shareholder Wison Group Holding Limited, pursuant to which both parties agreed to share the ownership of intellectual property rights to four patents — namely methanol regeneration technology in low temperature methanol washing and showering, methanol heat pump distillation technology, gasification plant for liquid or solid fuel water slurry, and petroleum slurry at high ash fusion temperature for gasification purposes — as well as their preparation methods in order to consolidate the Group's technical competitiveness.

Comprehensive enhancement of operational management capabilities

After the occurrence of the investigation incident, the Group optimized its workforce and management structures to suit the needs in business development to improve operational efficiency by an effective approach of its personal performance appraisal scheme. The allocation of resources was also reviewed in order for the Group to continue to optimize operating costs, cope with its current challenges and be fully prepared for future development.

As digitalization, the "cloud" platform and highly integrated software enter the field of engineering design, the quality of engineering design for EPC industry has improved substantially, thus ensuring the accuracy of materials procurement and management as well as error-free construction, which in turn have crucial significance in reducing EPC project investment costs, shortening project cycles and improving project quality. To enhance its core competitiveness, the Group also promoted informatization development in projects by ways including setting up an online project management platform, a digital design platform and a Smartplant Material (Mairian) procurement system, thus reaping initial achievements in the digital EPC project management.

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Outlook

Global demand for petrochemicals and refineries products is expected to rise steadily as prospects for the global economy become more evident. According to estimates by ICIS Consulting, the CAGR of capital expenditures for the global chemical industry and the oil refining industry will amount to approximately 9.5% and 3.6% respectively between 2011 and 2016, indicating that capital investment levels in the petrochemical and oil refining industries will continue to increase steadily.

The Chinese economy is also expected to achieve a growth rate of 7.5% in 2014, with the urbanization process and the demand for clean energy being expected to continue to boost technological upgrades and renovation works for existing petrochemical, oil refining and coal-to-chemicals projects such that the pace of investment in related projects will continue to grow steadily. In addition, the government, promulgating the "Plan for Building National Independent Innovative Capabilities under the Twelfth Five-year Plan" ("十二五"國家自主創新能力建設規劃) issued in the first half of 2013 by the NDRC, is encouraging innovative technologies in major energy-saving and emission-reducing projects such as new coal-to-chemicals projects, and has designated areas of the coal-to-chemicals sector such as coal-to-olefins and coal-to-natural gas as the key areas for building innovative capabilities for the energy sector. In 2013 alone, the NDRC approved preliminary works for over 20 new coal-to-chemicals projects, while over 45 new coal-to-chemicals projects have obtained such approval, indicating that the coal-to-chemicals industry has entered a period of accelerating development. This positive market environment will create favourable conditions for the renewed advancement of the Group's future business development.

Looking forward to 2014, the Group will be positive in continuing to cope with challenges posed to it and will aim to facilitate sustainable business development in line with the core objective of "consolidating the growth foundation and improving earning capacity". The Board will from time to time assess the impact of the investigations on our business operations and financial performance, and will make timely adjustments to its development strategies to bring the Group's business back to a growth track as soon as possible.

1. **Establish a comprehensive scientific operation system to increase profitability**

   As for corporate governance, the Group will improve every aspect of its corporate governance system and is forming a number of cross-departmental management teams to enhance the Group's overall competitiveness and its execution capabilities, to lift degree of customer satisfaction so as to build a foundation for a wider client base and sustainable growth.

   To enhance project execution and management capabilities remains a top priority across the Group's operations management. First, full-cycle cost management of a project is a crucial focus, with profitability of projects to be improved by precision management. For example, a sound and effective cost-based man hour system will be set up to strengthen cost accounting and control during project execution and a project cost audit team will be formed at corporate level to strengthen project subcontracting, budgeting, accounting and audit. Second, project execution will be separated from project audit, and a project accountability system will be established for the Group's management, with the main initiatives to include the formation of a company project support and audit team to assist in preliminary project planning and strengthening project compliance management as well as project quality and safety management; and the formation of an expert project management team to assist in project execution, marketing and pricing, as well as to reinforce project execution.

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Human resources management is a major aspect with which the Group can sustain and enhance its competitiveness. It is the Group's principle to consolidate, motivate and build a strong team. By strengthening performance management, establishing a strong link between personal and company performance and rewards strengthening performance culture as management practices so to further motivate and consolidate the team and to improve efficiency, illustrating a win-win concept between the Group and employees. The Group will establish a multi-level performance appraisal system under which performance appraisal of the Group's management and general staff will be closely linked to how the overall target of the Group is achieved. Moreover, incremental incentives will be stepped up in line with the requirements of various positions; meanwhile, a number of profit centers will be set up within the Group to facilitate and reinforce assessment, enhance overall marketing capabilities and boost sales growth.

In respect of IT development, the Group will continue to strengthen its advantages in IT and digitalization, improve its technology management system and enhance the level of corporate management as well as the quality and efficiency of design leveraging information technology and digital design, so as to expand its brand influences.

2. **Continue to implement diversification strategies in client base, geographical reach and business scope**

The Group will continue to execute the strategy of balanced development across the petrochemicals, oil refining and coal-to-chemicals businesses; reinforce the strategy of leveraging innovative technologies to drive business development: the Group will utilize its superior technology and capability in MTO and heavy oil hydrocracking as the main ways to bring breakthroughs; aggressively promote proprietary technologies in the new Wison-Shell gasification technology, coal-to-ethanol and butene oxidization and dehydrogenation to butadiene; set up a group of technical consulting experts to support the marketing of technologies; strengthen the analysis and management of business opportunities and focus the Group's resources on key opportunities to improve the chances of securing orders; pay closer attention to preliminary marketing of projects and the whole production chain when identifying business opportunities, thus allowing for early engagement with clients to guide them and explore their needs; and continue to expand and diversify the customer mix through marketing while maintaining in-depth communications with major existing clients.

In overseas markets, the Group will strive to achieve breakthroughs by leveraging its superior resources with focus on regional markets in Southeast Asia, the Middle East, South America and the Americas. It will also capitalize on its own strengths, integrate domestic and overseas resources and seek to secure new orders from the petrochemicals, new coal-to-chemicals and modularized supply segments.

3. **Continue to commit resources to technological R&D for advanced technology-driven business development**

Strengthening technological R&D remains one of the Group's most important development strategies. The Group will rely on its established cooperation platforms such as the Tianjin University — Wison Research & Development Center for Energy and Chemical Technologies to jointly further technological research and create a win-win situation, and will also continue to seek opportunities for cooperation with leading enterprises within the industry to intensify technology acquisition capabilities therefore strengthening the Group's driving force for sustainable business development. Apart from

Business Overview

continued efforts in new coal-to-chemicals technologies, the Group will, sticking to its business diversification strategy, form a specialized team dedicated to modularization design research to facilitate the development of the Group's upstream operations such as LNG and oil & gas pre-processing modularization. Furthermore, the Group will strengthen the promotion and commercialization of its existing core technologies; will step up the relevant internal incentive system to accelerate the marketization and commercialization of the achievements of existing patented technologies in coal-to-gas, coal-to-olefins, coal-to-ethylene glycol, coal-to-ethanol and butene oxidization and dehydrogenation to butadiene.

The year 2014, given the tremendous challenges and heavy tasks that lie ahead, marks a major turning point for the Group. The Group will execute its established strategies resolutely and cohesively, and will treat the challenges as opportunities for self-improvement and upgrading in times of crisis in order to achieve breakthroughs. By capitalizing on our industry-leading engineering technological R&D and design capabilities, professional project management capabilities, rich experience in project execution, a broad customer base and diversified business areas, the Group is fully confident that it can pick itself up from the current downturn, being well-positioned for a new round of rapid growth.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2013, the comprehensive revenue of the Group amounted to RMB3,674.5 million, representing a decrease of RMB1,217.4 million, or 24.9%, from RMB4,891.9 million in the previous year. Details of comprehensive revenue breakdown by business segments are set out below:

RMB'000

Business segment	2013	2012	Change	Change %
Petrochemicals	**1,472,957**	455,737	1,017,220	223.2%
Oil refineries	**51,111**	301,580	-250,469	-83.1%
Coal-to-chemicals	**1,407,482**	3,173,235	-1,765,753	-55.6%
Other products and services	**742,968**	961,356	-218,388	-22.7%
	3,674,518	4,891,908	-1,217,390	-24.9%

In petrochemicals, revenue increased by RMB1,017.3 million, or 223.2%, from RMB455.7 million for the year ended December 31, 2012 to RMB1,473.0 million for the year ended December 31, 2013. The increase in revenue for our petrochemical business segment was driven mainly by the smooth progress made in major petrochemical projects such as Sichuan Shengda Projects and Saudi Benzene Mitigation Project during the year.

In oil refineries, revenue decreased by RMB250.5 million, or 83.1%, from RMB301.6 million for the year ended December 31, 2012 to RMB51.1 million for the year ended December 31, 2013. The decrease was primarily because the Group's existing oil refinery projects (including refinery projects in PetroChina Sichuan) were substantially completed in the previous year and other oil refinery projects, including the site preparation for the

Management Discussion and Analysis

Puerto La Cruz Refinery Deep Conversion Project in Venezuela, have not yet entered into their principal construction phase. As such, overall revenue from the oil refineries business segment for the year ended December 31, 2013 significantly decreased as compared with that of the year ended December 31, 2012.

In coal-to-chemicals, revenue decreased by RMB1,765.7 million, or 55.6%, from RMB3,173.2 million for the year ended December 31, 2012 to RMB1,407.5 million for the year ended December 31, 2013. The decrease was primarily due to the completion of the Baoji Methanol Project of Xuzhou Coal Mining Group during the previous year under review and that other coal-to-chemicals projects including Shanxi Lu'an Projects have not entered into their principal construction phase. Moreover, certain project was postponed during the year at the request of its owner and therefore its progress lagged behind the targeted schedule for 2013. The project was resumed by December 31, 2013.

In other products and services, revenue decreased by RMB218.4 million, or 22.7%, from RMB961.4 million for the year ended December 31, 2012 to RMB743.0 million for the year ended December 31, 2013. During the year ended December 31, 2013, the financing plan previously set for Zhoushan Wison Marine Engineering Base Project was deferred, resulting in a slow down of the progress during the year under review.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by RMB996.8 million, or 87.5%, from RMB1,139.6 million for the year ended December 31, 2012 to RMB142.8 million for the year ended December 31, 2013.

The gross profit margins of the Group for the years ended December 31, 2012 and 2013 were 23.3% and 3.9% respectively. For the year ended December 31, 2012, the gross profit margins for petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments were 24.9%, 25.0%, 23.8% and 20.3%, respectively, while the gross profit margins for the year ended December 31, 2013 were 9.0%, -68.8%, -9.0% and 23.3%, respectively.

The decrease in the gross profit margin in petrochemicals business segment was primarily attributable to the recognition of miscellaneous additional costs associated with fine tuning the machinery and equipment or some modifications related to various installations, but the clearings of increased expenses with the owners have not yet completed, as well as the change in pricing methods of certain projects during the year, which reduced the overall gross profit margin of the projects concerned, with impacts recognised during the year.

Management Discussion and Analysis

The decrease in the gross profit margin in oil refineries business segment was mainly due to the recognition of miscellaneous additional costs associated with some modifications related to various installations during the year, but the clearings of increased expenses with the owners have not yet completed. Also, other oil refinery projects including the site preparation for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela have not entered into their principal construction phase. The contribution to gross profit by these projects have not been reflected in the current year.

The decrease in the gross profit margin in coal-to-chemicals business segment was primarily due to the recognition of miscellaneous additional costs associated with some modifications related to various installations by certain projects during the year, but the clearings of increased expenses with the owners have not yet completed, as well as the change in pricing methods of an individual project during the year, which reduced its overall gross project margin, with impact recognised during the year. Other major projects for this segment included Pucheng Polyethylene Plant Project, Pucheng Public Utility and Ancillary Facilities Project and Shanxi Lu'an Projects. Despite a relatively low gross profit margin, these projects reported steady progress and contributed most of the income in the coal-to-chemicals business segment.

The increase in gross profit margin in other products and services was mainly due to the steady progress of the Saudi De-Bottlenecking (DBN) Project. The project contributed a relatively higher revenue and gross profit margin to the segment during the year.

Other Income

Other income decreased by RMB2.0 million, or 5.6%, from RMB36.0 million for the year ended December 31, 2012 to RMB34.0 million for the year ended December 31, 2013. Interest income decreased by approximately RMB8.2 million and government grants increased by RMB7.8 million.

Sales and Marketing Expenses

Sales and marketing expenses increased by RMB45.5 million, or 82.7%, from RMB55.0 million for the year ended December 31, 2012 to RMB100.5 million for the year ended December 31, 2013. We had an increase in expenses arising from the preliminary stage of the projects and overseas branches, as well as increase in employee expenses primarily due to an increase in business development activities.

Administrative Expenses

Administrative expenses increased by RMB169.0 million, or 90.1%, from RMB187.5 million for the year ended December 31, 2012 to RMB356.5 million for the year ended December 31, 2013. The increase was primarily due to the increase in employee expenses, business development expenses and exchange losses from IPO proceeds (denominated in HK dollars). The increase in employee expenses was primarily due to the increase in average headcount for future projects and the amortization of share option expenses during the reporting period. The increase in business development expenses was primarily due to the opening of the new office building of the Group during the reporting period, which resulted in additional management fees and depreciation charges.

Management Discussion and Analysis

Other Expenses

Other expenses increased by RMB18.1 million, or 17.0%, from RMB106.5 million for the year ended December 31, 2012 to RMB124.6 million for the year ended December 31, 2013. This increase was primarily due to the increase in research and development expenses.

Finance Costs

Finance costs increased by RMB15.0 million, or 11.9%, from RMB126.5 million for the year ended December 31, 2012 to RMB141.5 million for the year ended December 31, 2013. The increase was mainly attributable to the increase in discount charges and interest expenses. The increase in interest expenses was primarily due to the increase in our average bank borrowings for the year ended December 31, 2013 compared with the year ended December 31, 2012.

Income Tax Expenses

Income tax expenses decreased by RMB198.2 million or 119.7%, from RMB165.6 million for the year ended December 31, 2012 to a credit of RMB32.6 million for the year ended December 31, 2013. The decrease was primarily due to the substantial decrease in taxable income for the year ended December 31, 2013.

Loss/Profit for the year

Profit for the year decreased by RMB1,048.0 million, or 196.1%, from RMB534.3 million for the year ended December 31, 2012 to a loss for the year of RMB513.7 million for the year ended December 31, 2013. Our net profit margin was 10.9% for the year ended December 31, 2012 and decreased to -14.0% for the year ended December 31, 2013. The decreases in our profit for the year and net profit margin were primarily due to the decrease of our revenue and overall gross profit margin, combined with the increase in our operating expenses.

Financial Resources, Liquidity and Capital Structure

The Group meets its working capital and other capital requirements principally with cash generated from its operations, borrowings and proceeds from the global offering.

Management Discussion and Analysis

As at December 31, 2013, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at December 31,	
	2013	2012
	(Million)	
Hong Kong Dollar	**12.6**	1,261.6
US Dollar	**0.9**	20.4
Renminbi	**1,065.2**	1,011.5
Saudi Riyal	**1.9**	30.7
Euro	**–**	0.3
Indonesian Rupiah	**262.2**	169.4
Venezuelan Bolivar	**0.1**	0.1
Singapore Dollar	**–**	0.2

Interest-bearing bank and other borrowings of the Group as at December 31, 2013 and 2012, all of which were denominated in RMB, were set out in the table follow. The short-term debt of the Group accounted for 100% of the total debt (2012: 88.6%).

	As at December 31,	
	2013	2012
	(RMB million)	
Current		
Bank loans repayable within one year		
— secured	**1,418.0**	1,865.5
— unsecured	**135.8**	400.0
	1,553.8	2,265.5
Finance lease payables	**0.2**	0.3
	1,554.0	2,265.8
Non-current		
Bank loans repayable in the second year		
— secured	**–**	140.0
Bank loans repayable in the third to fifth years		
— secured	**–**	150.0
	–	290.0
Finance lease payables	**0.2**	0.3
	0.2	290.3
	1,554.2	2,556.1

Management Discussion and Analysis

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

Year ended December 31, 2012	3.74% to 7.92%
Year ended December 31, 2013	4.30% to 7.91%

The maturity profile of interest-bearing bank and other borrowings as at December 31, 2013 and 2012, based on contractual undiscounted payments, is as follows.

	On demand	Less than 3 months	3 to 12 months (RMB million)	1 to 5 years	Total
December 31, 2013					
Interest-bearing bank and other borrowings	**–**	**711.5**	**883.2**	**–**	**1,594.7**
Finance lease payables	**–**	**0.1**	**0.2**	**0.1**	**0.4**
December 31, 2012					
Interest-bearing bank and other borrowings	–	840.0	1,642.1	395.8	2,877.9
Finance lease payables	–	0.1	0.2	0.4	0.7

As at December 31, 2013, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 1.0x (2012: 1.2x). The ratio of total borrowings to total assets was 22.4% (2012: 33.3%). The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 28, 2012 (the "Listing Date"). Net proceeds from the IPO, after deducting the underwriting commission and other estimated expenses in connection with the offering, amounted to approximately HK$1,364.3 million. The net proceeds are maintained in the bank account of the Group and have been used for purposes set out in the announcement of the Company dated November 1, 2013. As at December 31, 2013, HK$41.4 million of the proceeds from the Listing have not been utilized.

Future plans for major investment projects

Apart from the construction and establishment of the national research & development centre in Shanghai, the Group has also activated the "Digital Delivery" program in during the second half of 2013. The program will have an estimated investment of approximately RMB19.0 million.

"Digital Delivery" lays the important foundation for the factories to implement "Intelligent Factory" and for cities to implement "Intelligent City". With the delivered content of the digital models provided by construction companies of the designed projects, factories and even cities can virtually achieve visual dynamic models, and the operation and training exercises of enterprises will be greatly facilitated.

Management Discussion and Analysis

Material Acquisitions and Disposals

During the reporting year, the Group has not conducted any material acquisitions or disposals.

Capital Expenditure

During the reporting year, the capital expenditure of the Group amounted to RMB504.5 million (2012: RMB418.1 million), including the investment for the construction of new office building of RMB478.5 million (2012: RMB362.4 million).

Foreign Exchange Risk Control

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

Asset Security

As at December 31, 2013, bank deposits with carrying amounts of RMB500.0 million, property, plant and equipment with carrying amount of RMB118.3 million and leasehold interests on land with carrying amounts of RMB11.4 million were pledged as security for bank facilities and finance lease commitments of the Group.

Contingent Liability

In 2010, the Group submitted an application for special tax treatment under Circular No. 59 for Wison Energy (HK) to transfer its entire equity interests in Wison Yangzhou and Wison Engineering. To date, the relevant authorities have not reverted on this application. The Group calculated the prospective tax liability in relation to the transfer of equity interests in Wison Yangzhou and Wison Engineering. The Group paid RMB10.4 million in December 2011 and made a provision of RMB4.4 million in its financial statements as at December 31, 2011 accordingly. The provision was based on a valuation of Wison Yangzhou and Wison Engineering performed by a PRC valuer.

Except for the contingent liabilities as stated above, the Group had no other contingent liabilities as at December 31, 2013.

Management Discussion and Analysis

Human Resources

As at December 31, 2013, the Group had 1,782 employees. The Group reviews the salaries and benefits of the employees according to market practice and the performance of the employees on a regular basis. Also, the Group contributes to various social insurance schemes in the PRC and the Mandatory Provident Fund Scheme in Hong Kong for qualified employees and provides medical insurance, work injury insurance, maternity insurance and unemployment insurance pursuant to applicable laws and regulations in the PRC and Hong Kong, as well as additional business accident and medical insurance. For the year ended December 31, 2013, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB686.1 million.

The Group adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on November 30, 2012 as encouragement and reward for their contributions to the Company.

Biographies of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hua Bangsong (華邦嵩), age 48, 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 is also a director of Wison Group Holding Limited and Wison Engineering Investment Limited, the ultimate and intermediate holding companies of the Company. Mr. Hua has in-depth industry knowledge and has over 24 years of experience in the operation and management in the petrochemicals industry.

Mr. Hua began his career in the petrochemicals industry in the sales department of Jiangsu Province Xing Hua City Dai Nan 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 Chemical Engineering Co., Ltd. ("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 Ltd. ("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) Chemical Machinery Co., Ltd. ("Wison Yangzhou") in 2004. He is currently responsible for planning and formulating our Group's strategy on overall business development.

Biographies of the Directors and Senior Management

Mr. Liu Haijun (劉海軍), age 48, is an executive Director of our Company and a senior vice president of our Group, and is mainly responsible for supervising domestic marketing, advisory, commercial and quality and safety management affairs of Wison Engineering. He is also responsible for overseeing the marketing, commercial, advisory and quality and safety departments of Wison Engineering. Mr. Liu graduated from Shandong Chemical School (山東省化工學校) in 1984, majoring in organic processing and the University of Petroleum (石油大學) in 1991, majoring in petrochemical. In 2010, Mr. Liu obtained his executive MBA from Euro-China International Business College (中歐國際商學院). From 1984 to 1994, he was engaged in the petroleum processing and design work in the Design Institute of China Petroleum & Chemical Corporation Qilu Branch ("Sinopec Qilu"). 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 appointed as our Director on May 18, 2011. He has 28 years' experience in the petrochemicals industry.

Mr. Zhou Hongliang (周宏亮), age 44, is a senior vice president of our Group and was appointed as an executive Director of our Company on September 10, 2013, and is mainly responsible for supervising the operations of the project management and project execution, and overseeing the project management, procurement and construction management departments. 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 21 years' experience in the petrochemicals industry.

Mr. Cui Ying (崔穎), age 41, is a senior vice president of our Group and was appointed as an executive Director of our Company on September 10, 2013. He is mainly responsible for supervising our Company's strategic planning, human resources, investor relations management, finance and administration affairs, and overseeing the manager office as well as the human resources, finance and financial analysis departments. 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

Biographies of the Directors and Senior Management

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Ji (劉吉), age 78, 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 doctorial 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, a company listed on the Main Board of the Stock Exchange, since 2004. Mr. Liu has also been a class II director of O_2Micro International Limited since June 2007. O_2Micro is a company listed on the NASDAQ Stock Market. Mr. Liu was previously an independent non-executive director of Universal Technologies Holdings Limited, a company listed on the Main Board of the Stock Exchange from 2009 to 2011. 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 6, 2009.

Mr. Wu Jianmin (吳建民), age 75, 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.

Biographies of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. Zhang Xuzhi (張旭之), age 77, a senior vice president of our Group and the general manager of the design center of Wison Engineering. He is mainly responsible for the design, research and development and technology know-how, technology management and information management affairs of the Company. He is also responsible for overseeing the technology management department, technology development center, design center, information department and industrial furnace department. Mr. Zhang graduated from Tianjin University in 1961 and dedicated the following 10 years to the technical work in Lanzhou Chemical Industry Company (蘭州化學工業公司). From 1971 to 1991, he served as a deputy general manager of China Petroleum & Chemical Corporation Qilu Branch ("Sinopec Qilu"). From 1991 to 1998, he was the general manager of Sinopec Engineering Incorporation (SEI). From 1998 to 2002, he was the head of strategy division of China Petrochemical Corporation. From 2002 to 2013, he was the vice president and technical director of Southernpec Corporation ("Southernpec"). Mr. Zhang joined our Group in April 2013 and held the positions as a senior vice president of Wison Engineering and the general manager of its design center.

Ms. Xu Tan (徐坦), age 43, 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, as well as overseeing the financing of overseas projects. 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 CFO 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). 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.

Mr. Lin Zhong (林中), age 52, is a vice president of our Group, and is responsible for key account sales and overseeing the operations of design center and information department. He graduated from Zhengzhou Institute of Technology (鄭州工學院) in 1983. He was engaged by China Petroleum & Chemical Corporation ("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 27 years' experience in the petrochemicals industry.

Mr. Xia Wenji (夏文基), age 58, 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.

Biographies of the Directors and Senior Management

Mr. Yang Zhimin (楊志敏), age 55, is a vice president of our Group and a general manager of Henan branch of Wison Engineering. He is mainly responsible for the sales in Henan province and with the major clients of Wison Engineering thereof, as well as the supervision of regional planning in Zhengzhou, corporate resources management and the operation of Henan branch office. He graduated from Lanzhou Petroleum College (蘭州石油學校) with a major in petroleum machinery, Renmin University of China (中國人民大學) with a major in industrial and economic management, and received his master's degree (EMBA) from Guanghua School of Management of Peking University. Mr. Yang has over 30 years of experience in 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 60th 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 Guangping (楊廣平), age 47, is a vice president of our Group and the general manager of the marketing department of Wison Engineering. He is mainly responsible for the marketing in the PRC. 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 mainly responsible for the procurement, quality control and dispatch of the project materials. Mr. Yang has 24 years' experience in the petrochemicals industry.

Mr. Sun Xiaoguang (孫曉光), age 53, is a vice president of our Group. He is responsible for key account sales and overseeing the management of project contracting. Mr. Sun graduated from the College of Architecture and Engineering 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 30 years' experience in the petrochemicals industry.

Mr. Yang Dechang (楊德昌), age 49, is an assistant president of our Group and procurement general manager of Wison Engineering. He is mainly responsible for the 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 29 years' experience in the petrochemicals industry.

Biographies of the Directors and Senior Management

Mr. Li Yansheng (李延生), age 48, is an assistant president of our Group, the chief scientist of Wison Engineering and the chief technology officer of both the design center and technology center. He is mainly responsible for guiding and leading the technology development of Wison Engineering and supporting and participating in internal technology research and development of Wison Engineering. Mr. Li graduated from Qingdao 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. He earned the title as a master of exploration design in the petroleum industry of the PRC in 2013.

Mr. Man Tangquan (滿堂泉), age 51, is an assistant president of our Group. He is mainly responsible for supporting the overseas sales of Wison Engineering and the execution of overseas projects. 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, and obtained his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2013. Mr. Man has 28 years' experience in the petrochemicals industry.

Mr. Dong Hua (董華), age 46, is a senior vice president of our Group. He is mainly responsible for supervising overseas sales, assisting execution of overseas projects and overseeing international business, regional sales and overseas branches of Wison Engineering. 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 China Europe International Business School (中歐國際工商學院), and is currently pursuing his EMBA in the Hong Kong University of Science and Technology. Mr. Dong has 24 years' experience in the petrochemicals industry.

Mr. Li Baoyou (李保有), age 48, is a vice president of our Group and the general manager of the design center (Beijing branch) of Wison Engineering. He is responsible for managing the operation of the design center (Beijing branch) and overseeing the industrial furnace division. 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 Guanghua School of Management in 2008 and the EMBA certificate from the China Europe International Business School (中歐國際工商學院) in 2013. Mr. Li joined our Group in 2004 as a senior engineer of the industrial furnace affairs department of Wison Engineering. Mr. Li has 25 years' experience in the petrochemicals industry.

Biographies of the Directors and Senior Management

Ms. Luk Wai Mei (陸慧薇), MPA, BBA (Hons), CPA, CPA (Aust), ACS, ACIS, age 47, is the company secretary of our Company. Ms. Luk is mainly responsible for overseeing our Group's internal controls, compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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. Chen Huimei (陳惠梅), age 46, is a vice president of our Group. She is responsible for the technology development and technology management 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 23 years' experience in the petrochemicals industry.

Mr. Fan Weijie (范慰頡), age 49, is a vice president of our Group and the general manager of the consulting division of Wison Engineering. Mr. Fan is mainly responsible for key account sales and advisory affairs. 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 27 years' experience in the petrochemicals industry.

Biographies of the Directors and Senior Management

Mr. Hua Lingsu (華令蘇), age 48, is an assistant president of our Group and the QHSE (Quality Health Safety and Environment) director of Wison Engineering. Mr. Hua 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 the head of technology division in Qilu Petrochemical Engineering Co. Ltd. (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 planning and implementing corporate management system of Wison Engineering. Mr. Hua Lingsu has 26 years' experience in the petrochemicals industry.

Mr. Zheng Shifeng (鄭世鋒), age 47, is a vice president of our Group and the general manager of the Project Management Department of Wison Engineering. He is responsible for the operation management of the Company's domestic and overseas projects. Mr. Zheng graduated from Hefei University of Technology (合肥工業大學) with a major in welding technology and equipment in 1990. He has been engaging in the project management in the petrochemicals and coal-to-chemicals industries and gained extensive experience. He holds the title of senior engineer and the qualification of registered qualification certificate professional constructor of electrical and mechanical engineering in the PRC (國家註冊機電工程專業一級建造師). He is currently an on-job EMBA postgraduate in China Europe International Business School (中歐國際工商學院). From 1996 to 2004, he worked as a project manager in the engineering department of Sinopec Qilu Petrochemical Corporation. Mr. Zheng joined our Group in 2004 and has successively served as the vice manager and the general manager of the Project Management Department as well as the vice president of our Group. Mr. Zheng has 24 years' experience in the petrochemicals industry.

Report of the Directors

The board of directors of the Company (the "Board") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (the "Group"), for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

Purchases of raw materials attributable to the Group's five largest suppliers amounted to less than 30% of the Group's total purchases for the year ended December 31, 2013.

For the year ended December 31, 2013, our five largest clients, in aggregate, counting each subsidiary of PetroChina Company Limited ("PetroChina") on a standalone basis, accounted for approximately 59.9% of our total revenue. For the same period, our five largest clients, in aggregate, counting revenue derived from PetroChina and its subsidiaries and China Petroleum & Chemical Corporation ("Sinopec") and its subsidiaries, respectively, on a group basis, accounted for approximately 59.9% of our total revenue. Our revenue derived from the single largest client for the same period, counting each subsidiary of PetroChina on a standalone basis, amounted to approximately 23.5% of our total revenue.

Our revenue derived from Zhoushan Wison Offshore & Marine Co., Ltd. ("Zhoushan Wison"), which is one of our five largest clients for the year ended December 31, 2013, amounted to approximately 11.7% of our total revenue for the same period. Zhoushan Wison is indirectly wholly-owned by Wison Group Holding Limited ("Wison Holding"). As at the date of this report, Wison Holding, through Wison Engineering Investment Limited ("Wison Investment"), holds approximately 78.13% of our Company.

Save as disclosed above, 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 year ended December 31, 2013.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associates as at December 31, 2013 are set out in Note 34 and Note 19 to the financial statements respectively.

FINANCIAL STATEMENTS

The loss of the Group for the year ended December 31, 2013 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 58 to 148 of this report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2013.

DONATIONS

Donations made by the Group during the year ended December 31, 2013 amounted to RMB50,000.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Notes 31 and 32 to the financial statements and the paragraph "Share Option Schemes" below, respectively.

RESERVES

Changes to the reserves of the Group during the year ended December 31, 2013 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended December 31, 2013 are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2013, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB986,623,000.

Report of the Directors

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 28, 2012 (the "Listing Date"), the Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A total of 544,622,000 ordinary shares with nominal value of HK$0.10 each of the Company were issued at HK$2.79 per share for a total of approximately HK$1,519 million. The net proceeds received by the Company from the abovementioned global offering of the Company are approximately HK$1,364.27 million. On November 1, 2013, the Company issued an announcement regarding, among other things, change of use of proceeds from the global offering of the Company. The net proceeds raised from the global offering of Company are and will be used in accordance with the purposes disclosed in the said announcement. During the year ended December 31, 2013, approximately HK$1,322.9 million raised from the global offering of the Company was used for the purposes and approximately in the amounts set out below:

- Approximately HK$445.5 million was used for construction of a national research and development centre in Shanghai
- Approximately HK$7.7 million was used for construction of an engineering, research and development centre in Beijing
- Approximately HK$74.1 million was used for research and development of proprietary technologies, including syngas-to-ethanol processes
- Approximately HK$129.9 million was used for expansion of engineering capability in selected cities in the PRC
- Approximately HK$95.0 million was used for working capital and general corporate purposes
- Approximately HK$570.7 million was used for repayment of bank loans

As at December 31, 2013, approximately HK$41.4 million raised from the global offering remains unused and the Company deposited the unutilised proceeds with a licensed bank in Hong Kong.

DIRECTORS

The directors during the year were:

Executive Directors

Mr. Hua Bangsong *(Chairman)*
Mr. Liu Haijun
Mr. Cui Ying
(appointed on September 10, 2013)
Mr. Zhou Hongliang
(appointed on September 10, 2013)
Mr. Chen Wenfeng
(resigned on September 18, 2013)

Independent Non-executive Directors

Mr. Liu Ji
Mr. Wu Jianmin
Mr. Choy Sze Chung Jojo
(resigned on September 19, 2013)

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

In accordance with Article 112 of the Company's Articles of Association, Mr. Zhou Hongliang and Mr. Cui Ying will retire at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

None of Mr. Liu Haijun, Mr. Liu Ji, Mr. Zhou Hongliang and Mr. Cui Ying has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section "Share Option Schemes" below, at no time during the year was the

Report of the Directors

Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at anytime during the year.

DIRECTORS ' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

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

As at December 31, 2013, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Name of Director	Company/ Name of Group Company	Capacity/ Nature of interest	Number of Shares(1)	Approximate percentage of shareholding
Mr. Hua Bangsong(2)	Company	Interest in controlled corporation	3,175,520,000 (L)	78.13%
Mr. Liu Haijun	Company	Beneficial owner	3,040,000 (L)(3)	0.07%
Mr. Cui Ying	Company	Beneficial owner	3,040,000 (L)(3)	0.07%
Mr. Zhou Hongliang	Company	Beneficial owner	3,040,000 (L)(3)	0.07%

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 Bangsong is deemed or taken to be interested in a total of 3,175,520,000 Shares owned by Wison Investment.

(3) Shares in respect of options granted under the pre-IPO share option scheme of the Company.

Report of the Directors

Save as disclosed above, as at December 31, 2013, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Share Option Scheme of the Company

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

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. Pursuant to the Share Option Scheme, 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. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time. Subject to the above, the Board may grant options under the Share Option Scheme in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Shares commenced on the main board of the Stock Exchange (the "Scheme Mandate Limit") (being 400,000,000 Shares). Therefore, as at December 31, 2013, the total number of shares which may be issued on the exercise of options to be granted under the Share Option Scheme and any other schemes is 400,000,000, representing approximately 9.84% of the issued share capital of the Company as at the date of this report. Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. Unless approved by the Shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

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

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

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

(iii) the nominal value of the Shares.

Report of the Directors

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

As at December 31, 2013, no option has been granted or agreed to be granted under the Share Option Scheme.

Pre-IPO Share Option Scheme of the Company

On November 30, 2012, a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The 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 the Pre-IPO Share Option Scheme.

The purpose of the 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 such eligible participants have made or may make to our Group or any affiliates.

Each of the grantees to whom a pre-IPO option has been granted under the 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.

As at December 31, 2013, the maximum number of shares in respect of which pre-IPO options have been granted under the Pre-IPO Share Option Scheme is 191,349,000 shares, representing approximately 4.71% of the issued share capital of our Company as at the date of this report. No further options can be granted under the Pre-IPO Share Option Scheme after the Listing Date.

As at December 31, 2013, options to subscribe for an aggregate of 191,349,000 shares representing 4.71% of the total issued share capital of our Company as at the date of this report have been granted by our Company and remain outstanding 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 options under the Pre-IPO Share Option Scheme.

Report of the Directors

Particulars of the outstanding options granted under the Pre-IPO Share Option Scheme are set out below:

Category of participants	Exercise price per share	No. of shares involved in the options outstanding at January 1, 2013	Exercised during the period	Lapsed during the period	No. of Shares involved in the options outstanding at December 31, 2013
The Group					
Directors, chief executive or substantial shareholders of the Company or subsidiaries, or their respective associates					
Liu Haijun	0.837	3,040,000	–	–	3,040,000
Cui Ying	0.837	3,040,000	–	–	3,040,000
Zhou Hongliang	0.837	3,040,000	–	–	3,040,000
Dong Hua	0.837	2,660,000	–	–	2,660,000
Zhuang Yongqing	0.837	3,648,000	–	–	3,648,000
Chen Wenfeng *(Note)*	0.837	1,900,000	–	1,900,000	–
Employees of the Group	0.837	141,531,000	–	4,104,000	137,427,000
Wison Holding and its subsidiaries					
Employees, executives and officers of Wison Holding or any of its subsidiaries	0.837	39,064,000	–	570,000	38,494,000
Total		197,923,000			191,349,000

Note: Mr. Chen Wenfeng ceased to be a Director of the Company on September 18, 2013. Options representing 1,900,000 Shares held by Mr. Chen lapsed upon his resignation.

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on November 30, 2012. During the year ended December 31, 2013, no options have been exercised by the holders, options to subscribe for an aggregate of 6,574,000 shares have been lapsed.

Pursuant to the Pre-IPO Share Option Scheme, outstanding and unexercised options may be exercisable in tranches during the option period (which shall expire on the last business day of the 96th month after the Listing Date) such that 20% of such options shall be exercisable at any time on or after the first business day following each of the 36th, 48th, 60th, 72th and 84th month after the Listing Date.

Report of the Directors

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

As at December 31, 2013, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held[1]	Approximate percentage of shareholding
Wison Investment	Company	Beneficial owner	3,175,520,000 (L)	78.13%
Wison Holding[2]	Company	Interest in controlled corporation	3,175,520,000 (L)	78.13%
Mr. Hua Bangsong[3]	Company	Interest in controlled corporation	3,175,520,000 (L)	78.13%
Ms. Huang Xing[4]	Company	Interest of spouse	3,175,520,000 (L)	78.13%

Notes:

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

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

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

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

Save as disclosed above, as at December 31, 2013, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Mr. Hua Bangsong ("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 owns approximately 78.13% of our Company as at the date of this report, and therefore is a controlling shareholder and a connected person of the Company under the Listing Rules.

As at December 31, 2013, Wison (Nanjing) Clean Energy Co., Ltd. ("Wison Nanjing") was owned as to 87.8% by Wison (China) Holding Company ("Wison (China) Investment"), which is an indirectly wholly owned subsidiary of Wison Holding. Therefore, each of Wison (China) Investment and Wison Nanjing is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Report of the Directors

Prior to its de-registration and merger into Wison Nanjing on November 30, 2011, Nanjing Ruigu Chemical Engineering Co., Ltd. ("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.

Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua") is a substantial shareholder of Wison Engineering Ltd. ("Wison Engineering") (an indirect non-wholly owned subsidiary of the Company), 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.

Wison (Shanghai) Telecommunication Technology Co., Ltd. ("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.

Wison (Nantong) Heavy Industry Co., Ltd. ("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.

Shanghai Zerun Biotechnology Co., Ltd. ("Zerun Biotech") is owned as to 41.9% by Wison Holding as at December 31, 2013. Zerun Biotech is therefore an associate of Wison Holding and a connected person of our Company under the Listing Rules.

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.

One-off Connected Transactions

The following transactions are one-off transactions entered into by our Group:

1. **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. For the year ended December 31, 2013, Wison Nanjing has paid RMB2,153,100 to Wison Engineering and the aggregate consideration paid by Wison Nanjing to Wison Engineering was RMB42,973,100 as at December 31, 2013. 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 was completed in February 2013.

Report of the Directors

2. **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 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. For the year ended December 31, 2013, Wison Nanjing has paid RMB2.1 million to us and the aggregate consideration paid by Wison Nanjing to us was approximately RMB8.1 million as at December 31, 2013. 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.

3. **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 or payable by Wison Nanjing to Wison Engineering for its services provided to Wison Nanjing, of which RMB0.84 million has been paid during 2013 and the aggregate consideration paid by Wison Nanjing to Wison Engineering was RMB16.9 million as at December 31, 2013. 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 was completed in June 2013.

Report of the Directors

4. **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 "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. The amount of consideration is to be determined based on, among other things, the volume of work, the market price of equipment and materials and other factors as agreed between the two parties and 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. Based on the then prevailing circumstances, Wison Engineering and Zhoushan Wison confirmed that the consideration payable under the Zhoushan PC Agreement is estimated to be RMB1,882.08 million. For the year ended December 31, 2013, the consideration paid by Zhoushan Wison to Wison Engineering pursuant to the Zhoushan PC Agreement amounted to RMB550.6 million and the aggregate consideration paid by Zhoushan Wison to Wison Engineering was RMB690.6 million as at December 31, 2013.

   The marine engineering base project is expected to be completed in October 2014.

5. **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 payable by Wison Nanjing to Wison Engineering, of which RMB1,086,000 has been paid during 2013 and the aggregate consideration paid by Wison Nanjing to Wison Engineering was RMB36,830,000 as at December 31, 2013. 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 was completed in September 2013.

Continuing Connected Transactions

Details of the continuing connected transactions are set out in Note 33 to the financial statements.

For the financial year ended December 31, 2013, the following continuing connected transactions (the "Continuing Connected Transactions") have not exceeded their respective annual caps:

Report of the Directors

1. Leases

The Company 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.

Details of the above Leases are as follows:

Lesser	Lessee	Leased Properties	Duration of Lease	g.f.a of Leased Properties (m^2)	Authorized use of relevant land	Annual Rental (RMB in thousands)
Wison Engineering	Wison Telecommunication	• A portion of level 2, Building No. 4, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2011 to December 31, 2013	718.00	Industrial (office)	466.5
Wison Engineering	Wison Nantong	• Portions of Level 1, Building No. 4, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2011 to December 31, 2013	748.00	Industrial (office)	486.0
Wison Engineering	Zerun Biotech	• Portions of Buildings Nos. 1 and 2, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	July 1, 2011 to December 31, 2013	2,330.40	Industrial (production facility)	1,446.0
		• Portions of Levels 1 to 3, Factory No. 8, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	July 1, 2011 to December 31, 2013	5,049.66	Industrial (production facility)	3,133.3
		• Portions of Building No. 1, No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC	January 1, 2012 to December 31, 2013	510.14	Industrial (production facility)	316.5

Report of the Directors

As the Leases were entered into by Wison Engineering with Wison Telecommunication, Wison Nantong and Zerun Biotech, respectively, all of which are connected persons of our Company, the Leases are 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.

The rental payable by each of Wison Telecommunication, Wison Nantong and Zerun Biotech to the 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. The annual cap for the aggregate annual rental payable by Wison Telecommunication, Wison Nantong and Zerun Biotech to us in respect of the Leases for the year ended December 31, 2013 is approximately RMB5.8 million.

The property leasing agreements above between Wison Engineering as lesser, and Wison Telecommunication, Wison Nantong and Zerun Biotech as lessees, respectively, expired on December 31, 2013.

Reference is made to the announcement of the Company dated December 12, 2013, where the Company announced that on December 12, 2013, Wison Engineering, as landlord, entered into (i) a property leasing agreement with Wison (China) Investment as tenant ("2014 Wison (China) Investment Property Leasing Agreement") and (ii) a property leasing agreement with Wison Nantong as tenant ("2014 Wison Nantong Property Leasing Agreement"), respectively, in relation to certain premises for their usage as offices. On the same date, Wison Engineering also entered into (i) a property management services agreement with Wison (China) Investment ("2014 Wison (China) Investment Property Management Services Agreement") and (ii) a property management services agreement with Wison Nantong ("2014 Wison Nantong Property Management Services Agreement") in relation to the provision of property management services by Wison Engineering for the premises under the 2014 Wison (China) Investment Property Leasing Agreement and 2014 Wison Nantong Property Leasing Agreement, respectively. Each of the 2014 Wison (China) Investment Property Leasing Agreement, the 2014 Wison Nantong Property Leasing Agreement, the 2014 Wison (China) Investment Property Management Services Agreement and the 2014 Wison Nantong Property Management Services Agreement has a term of three years commencing from January 1, 2014.

The annual cap for the aggregate amounts of the rental and the property management services fees payable by Wison (China) Investment to Wison Engineering under the 2014 Wison (China) Investment Property Leasing Agreement and the 2014 Wison (China) Investment Property Management Services Agreement for each of the three years ending December 31, 2014, 2015 and 2016 is RMB3,500,000, and the annual cap for the aggregate amounts of the rental and the property management services payable by Wison Nantong to Wison Engineering under the 2014 Wison Nantong Property Leasing Agreement and the 2014 Wison Nantong Property Management Services Agreement for each of the three years ending December 31, 2014, 2015 and 2016 is RMB12,100,000.

2. **Chemical machinery equipment and ancillary products purchasing**

   Wison Engineering and Jiangsu Xinhua entered into a framework agreement (the "Framework Agreement") dated April 25, 2011, pursuant to 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.

Report of the Directors

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 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.

Reference is made to the announcement of the Company dated August 16, 2013 whereby the Company announced that the annual caps for the Framework Agreement for the year ended December 31, 2013 and for the year ending December 31, 2014 were increased to RMB17 million and RMB18.5 million, respectively. The annual cap (as amended) for the aggregate value of the purchases of ancillary accessories from Jiangsu Xinhua under the Framework Agreement for the year ended December 31, 2013 is RMB17 million.

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

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

(ii) on normal commercial terms; and

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

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.38 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the period from the date of listing of the Company on the Stock Exchange up to December 31, 2013 has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group during the year ended December 31, 2013 are set out in Note 33 to the financial statements. During the year ended December 31, 2013, the related party transactions set out in Notes 33(a)(i), (a)(ii) and (a)(iii) are regarded as continuing connected transactions of the Group under Rule 14A.34(1) of the Listing Rules as each of the relevant

Report of the Directors

percentage ratios as set out in Rule 14.07 of the Listing Rules is less than 5%, while the related party transactions set out in Notes 33(a)(iv), a(v), a(vi), b(v) and b(vi) are regarded as exempt continuing connected transactions of the Group under Rule 14A.33 of the Listing Rules, the related party transactions with Wison Offshore & Marine Limited set out in Note 33(b)(i) are regarded as exempted connected transactions under Rule 14A.31 of the Listing Rules and the financial assistance provided by Wison (China) Investment set out in Note 33(b)(iv) is an exempt financial assistance under Rule 14A.65(4) of the Listing Rules. The related party transactions with Wison Nanjing and Zhoushan Wison set out in Notes 33(b)(i) and the related party transactions with Nanjing Ruigu set out in Notes 33(b)(ii) are one-off connected transactions entered into by the Group prior to listing and such transactions are still ongoing after listing.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

PRE-EMPTIVE RIGHTS

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

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended December 31, 2013.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 4 to 5 of this report.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at December 31, 2013 are set out in Note 27 to the financial statements.

EMOLUMENT POLICY

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

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 8 to the financial statements.

PUBLIC FLOAT

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

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

Report of the Directors

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results for the year ended December 31, 2013.

AUDITORS

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

By order of the Board
Liu Haijun
Executive Director

Hong Kong, March 28, 2014

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Reference is made to the announcements of the Company dated September 19, 2013 and December 19, 2013, where the Company announced that Mr. Choy Sze Chung Jojo has resigned from his position as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company, with effect from September 19, 2013, due to his intention to pursue other business opportunities. Therefore, during the period commencing from September 19, 2013 to the date of this report, (i) the number of the independent non-executive Directors has fallen below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the number of members of the Audit Committee has fallen below the minimum number required under Rule 3.21 of the Listing Rules; (iii) there is a vacancy for chairman of the Audit Committee as required under Rule 3.21 of the Listing Rules; (iv) the Company has failed to comply with the requirements under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and (v) the number of the independent non-executive Directors has fallen below the minimum number required under Code Provision A.5.1 of the Code. The Company is endeavoring to identify suitable candidate to fill the vacancies as soon as possible for the purpose of compliance with the Listing Rules and the Code.

Save as disclosed above, during the year ended December 31, 2013, the Company has complied with the applicable code provisions of the Code.

BOARD OF DIRECTORS

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

Corporate Governance Report

The Board of the Company currently consists of six Directors, namely Mr. Hua Bangsong (Chairman), Mr. Liu Haijun, Mr. Zhou Hongliang and Mr. Cui Ying as executive directors, Mr. Liu Ji and Mr. Wu Jianmin as independent non-executive Directors. There is no financial, business, family or other material relationship among the members of the Board. Save for the non-compliance as disclosed above, the Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

Mr. Zhou Hongliang and Mr. Cui Ying were appointed as executive Directors of the Company on September 10, 2013. With effect from September 18, 2013, Mr. Chen Wenfeng resigned from his position as an executive Director and the Chief Financial Officer of the Company. With effect from September 19, 2013, Mr. Choy Sze Chung Jojo resigned from his position as an independent non-executive Director. The resignations of Mr. Chen Wenfeng and Mr. Choy Sze Chung Jojo were due to their respective intentions to pursue other business opportunities. Each of Mr. Chen Wenfeng and Mr. Choy Sze Chung Jojo has confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Following the resignation of Mr. Choy Sze Chung Jojo, (i) the number of the independent non-executive Directors has fallen below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules; (ii) the Company has failed to comply with the requirements under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and (iii) the number of the independent non-executive Directors has fallen below the minimum number required under Code Provision A.5.1 of the Code.

The biographies of the Directors are set out on pages 24 to 31 of this report.

Each of Mr. Hua Bangsong and Mr. Liu Haijun 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. Each of Mr. Zhou Hongliang and Mr. Cui Ying has entered into a service contract with us for an initial term of three years commencing from September 10, 2013 and shall continue thereafter unless terminated by not less than six months' written notice. Each of our independent for the Directors, 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. Notwithstanding the above, all Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB6.4 million, starting from January 2013, plus a discretionary bonus as determined by the Board and our Remuneration Committee. 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. The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2013 are set out in Note 9 to the financial statements.

Corporate Governance Report

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

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Ms. Luk Wai Mei. In compliance with Rule 3.29 of the Listing Rules, Ms. Luk has undertaken not less than 15 hours of relevant professional training during the year ended December 31, 2013.

Each of the Directors attended various trainings in 2013, including the training on connected transactions and inside information, as part of their profession development. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

In 2013, the Board held 9 meetings. A total of 28 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2012 annual report, 2013 interim report, the increase in annual caps for the continuing connected transactions contemplated under the framework agreement between Wison Engineering Ltd. and Jiangsu Xinhua Chemical Engineering Co., Ltd., the continuing connected transactions contemplated under the property leasing agreements and property management services agreements between Wison Engineering Ltd., on one hand, and Wison (China) Holding Company and Wison (Nantong) Heavy Industry Co., Ltd., respectively, on the other, and the appointment of Directors.

The table below sets out the details of Board meetings attendance of each Director during the year ended December 31, 2013.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Hua Bangsong	9	2
Liu Haijun	9	9
Zhou Hongliang (Note 1)	3	3
Cui Ying (Note 1)	3	3
Liu Ji	9	4
Wu Jianmin	9	7
Chen Wenfeng (Note 2)	7	6
Choy Sze Chung Jojo (Note 3)	7	7

Notes:

1. *Mr. Zhou Hongliang and Mr. Cui Ying were appointed as executive Directors of the Company on September 10, 2013*

2. *Mr. Chen Wenfeng ceased to be a Director of the Company on September 18, 2013*

3. *Mr. Choy Sze Chung Jojo ceased to be a Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company on September 19, 2013*

In 2013, the Company convened and held one shareholders' general meeting, being the 2012 annual general meeting held on May 31, 2013. Mr. Hua Bangsong, Mr. Liu Haijun, Mr. Chen Wenfeng, Mr. Liu Ji and Mr. Choy Sze Chung Jojo attended the shareholders' general meeting.

Corporate Governance Report

BOARD COMMITTEES

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

Audit Committee

The Audit Committee comprises the two independent non-executive Directors of the Company, namely, Mr. Liu Ji and Mr. Wu Jianmin. The chairman of the Audit Committee is to be appointed.

Mr. Choy Sze Chung Jojo resigned from his position as the Chairman of the Audit Committee with effect from September 19, 2013. Following the resignation of Mr. Choy, the number of members of the Audit Committee will fall below the minimum number required under Rule 3.21 of the Listing Rules, and there is a vacancy for chairman of the Audit Committee as required under Rule 3.21 of 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.

In 2013, the Audit Committee held 3 meetings, at which a total of 12 proposals were considered, including proposals for the consideration of the Company's 2012 annual report, 2013 interim report, the 2013 working plan for the auditors and the appointment of auditors for 2013. The Audit Committee also assessed the risk management and internal control measures of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended December 31, 2013.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Liu Ji	3	1
Wu Jianmin	3	3
Choy Sze Chung Jojo (Note)	3	3

Notes: Mr. Choy Sze Chung Jojo ceased to be a Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company on September 19, 2013

Nomination Committee

The Nomination Committee comprises one executive Director, namely, Mr. Hua Bangsong and two independent non-executive Directors, namely Mr. Liu Ji and Mr. Wu Jianmin. Mr. Wu Jianmin is the chairman of the Nomination Committee.

Mr. Liu Ji was appointed as a member of the Nomination Committee with effect from December 19, 2013.

The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment of Directors and senior management. The Nomination Committee is also responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. Diversity of the Board will be considered from a number of perspectives,

Corporate Governance Report

including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, and length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For nomination and appointment of Mr. Zhou Hongliang and Mr. Cui Ying as executive Directors of the Company, these criteria and procedures have been applied.

In 2013, the Nomination Committee held 2 meetings, at which a total of 5 proposals were considered, including proposals for appointment of Mr. Zhou Hongliang and Mr. Cui Ying as executive Directors of the Company and the appointment of Mr. Liu Ji as a member of the Nomination Committee of the Company.

The table below sets out the details of meetings attendance of each member of the Nomination Committee during the year ended December 31, 2013.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Wu Jianmin	2	2
Hua Bangsong	2	1
Liu Ji (Note 1)	0	0
Choy Sze Chung Jojo (Note 2)	2	2

Notes:

1. *Mr. Liu Ji was appointed as a member of the Nomination Committee of the Company on December 19, 2013*

2. *Mr. Choy Sze Chung Jojo ceased to be a Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company on September 19, 2013*

Remuneration Committee

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 Remuneration Committee has adopted the model described in code provision B.1.2 (c)(i) of the Code in its terms of reference. The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by our Company to our Directors. The remuneration of all Directors is subject to regular monitoring by the board remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

In 2013, the Remuneration Committee held 1 meeting, at which a total of 3 proposals were considered, including proposals for the remuneration of executive Directors of the Company.

The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended December 31, 2013.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Liu Ji	1	1
Wu Jianmin	1	1
Hua Bangsong	1	1

Corporate Governance Report

For the year ended December 31, 2013, the number of senior management (excluding directors) whose remuneration fell within the following bands is as follows:

Nil to RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	13
RMB2,000,001 to RMB2,500,000	2
RMB2,500,001 to RMB3,000,000	1

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures.

During the year ended December 31, 2013, the Board carried out risk assessment and management on the internal controls of the business processes in accordance with The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. In addition, the Board also assessed the effectiveness of measures on internal control and implementation of risk management. Rules on information disclosure and reporting procedures were formed and implemented in order to systematically collect and monitor information disclosure practice of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended December 31, 2013.

EXTERNAL AUDITORS

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

In addition, Ernst & Young (China) Advisory Limited ("Ernst & Young Advisory", a member firm of Ernst & Young Global Network) has provided other non-audit service to the Group in 2013.

For the year ended December 31, 2013, the external auditors received the following remuneration for audit and non-audit services provided to the Group in respect of the following:

	RMB'000
Audit services provided by Ernst & Young	3,800
Audit services provided by other local auditors	677
Non-audit services provided by Ernst & Young Advisory for taxation services	2,000
	6,477

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on pages 55 to 57 of this report. In preparing the financial statements for the year ended December 31, 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the internal control system of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary and deposited at the Company's principal place of business in Hong Kong at Room 5007, 50th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong. For the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

During the year ended December 31, 2013 and up to the date of this report, there has not been any change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company and that of the Stock Exchange.

Independent Auditors' Report

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

We have audited the consolidated financial statements of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 148, which comprise the consolidated and company statements of financial position as at December 31, 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Impairment of trade receivables and amounts due from contract customers

The Group had outstanding trade receivables and amounts due from contract customers of RMB261,567,000 and RMB2,923,402,000, respectively, at December 31, 2013 of which RMB134,157,000 and RMB1,533,567,000 have been identified as overdue in accordance with contract terms. In addition, an amount due from customers for contract works of RMB660,463,000 relates to a project for which has been substantially behind the contract schedule with slow progress payment. The Group has recorded an impairment provision of RMB765,000 against the trade receivable and amounts due from contract customers balances. We were unable to obtain sufficient audit evidence on the recoverability of the trade receivables and amounts due from contract customer balances. Accordingly, we were unable to satisfy ourselves regarding the adequacy of the impairment provision against the trade receivable and amounts due from contract customers balances as at December 31, 2013. Any under provision for the recoverability of these balances would reduce the net assets of the Group as at December 31, 2013 and increase the Group's net loss for the year ended December 31, 2013.

Independent Auditors' Report

Impairment of property, plant and equipment and other long-term assets

Included in the consolidated statement of financial position of the Group as at December 31, 2013 are property, plant and equipment of approximately RMB1,274,438,000 (net of depreciation and impairment), prepaid land lease payment of approximately RMB182,732,000, goodwill of approximately RMB15,752,000 and long-term prepayment to purchase of property, plant and equipment of approximately RMB2,042,000. In view of the substantial losses incurred by the Group in 2013, the management has performed impairment assessment on these assets based on discounted cash flows and the underlying key assumptions adopted in the assessment are disclosed in the note 17 to the consolidated financial statements. As a result of the assessment, the management is of the view that there was no impairment provision required as at December 31, 2013.

Due to the significant change in the operating condition of the Group and the uncertainty as to whether the Group will remain as a viable going concern, as set out in further detail in the paragraph headed "Going concern basis" below, we are unable to obtain sufficient evidence to assess the appropriateness of the management's estimation of the recoverable amount of the property, plant and equipment, prepaid land lease payment, long-term prepayment related to the purchase of property, plant and equipment and goodwill and whether these assets as at December 31, 2013 were impaired. Any under provision for impairment of these assets will reduce the net assets of the Group at December 31, 2013 and increase the net loss of the Group for the year then ended.

Assistance in an investigation by relevant regulatory authorities in Mainland China

Certain books and records of a subsidiary in Mainland China have been taken away to assist an investigation by relevant regulatory authorities. In this connection, certain bank accounts of the subsidiary have been frozen. We have been unable to obtain further information regarding the nature, scope and status of the investigation and ascertain whether such investigation will have any significant impact on the Group's financial position.

Going concern basis

In September 2013, the Group received a demand notice from a bank for the immediate repayment of loans in an aggregate amount of RMB186 million. In December 2013, the bank reached an agreement on a repayment schedule with the Group and withdrew the repayment demand. In addition, the Group's office buildings have been frozen as a condition for the withdrawal of the demand notice. Thereafter, the Group was in default of its repayment on certain secured bank borrowings of RMB250 million as at December 31, 2013. As a result of the default, other banks have the right to demand immediate repayment for loans at December 31, 2013 with aggregate outstanding principal amount of RMB1,304 million.

As further explained in note 2.1, the directors of the Company are taking steps to improve the Group's liquidity and solvency position. These steps mainly include (i) negotiations with potential strategic investors in respect of a possible equity investment in the Company; (ii) negotiations with the banks and other creditors to defer or roll over the Group's bank and other borrowings, (iii) urging the collection of trade receivables and amounts due from contract customers and (iv) monitoring the operating cash flows through cutting costs and capital expenditures.

As at the date of approval of the financial statements, these measures had not yet been concluded. The foregoing events indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a

Independent Auditors' Report

going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors of the Company as described above. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2013 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
March 28, 2014

Consolidated Statements of Profit or Loss

Year ended December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	**3,674,518**	4,891,908
Cost of sales		**(3,531,708)**	(3,752,277)
GROSS PROFIT		**142,810**	1,139,631
Other income and gains	6	**33,959**	35,959
Selling and marketing expenses		**(100,533)**	(55,040)
Administrative expenses		**(356,544)**	(187,529)
Other expenses		**(124,626)**	(106,492)
Finance costs	7	**(141,451)**	(126,504)
Share of profit/(loss) of an associate		**94**	(96)
(LOSS)/PROFIT BEFORE TAX	8	**(546,291)**	699,929
Income tax expenses	10	**32,619**	(165,606)
(LOSS)/PROFIT FOR THE YEAR		**(513,672)**	534,323
Attributable to:			
Owner of the parent	13	**(471,301)**	466,812
Non-controlling interests		**(42,371)**	67,511
		(513,672)	534,323
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
— Basic		**RMB(0.12)**	RMB0.13
— Diluted		**N/A**	RMB0.13

Consolidated Statements of Comprehensive Income

Year ended December 31, 2013

	2013 RMB'000	2012 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(513,672)**	534,323
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	**361**	(213)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**361**	(213)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**361**	(213)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(513,311)**	534,110
Attributable to:		
Owner of the parent	**(470,940)**	466,599
Non-controlling interests	**(42,371)**	67,511
	(513,311)	534,110

Consolidated Statements of Financial Position

December 31, 2013

	Notes	**2013 RMB'000**	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,274,438**	799,454
Investment properties	15	**14,716**	15,296
Prepaid land lease payments	16	**182,732**	187,185
Goodwill	17	**15,752**	15,752
Other intangible assets	18	**15,191**	13,171
Investment in an associate	19	**1,992**	1,898
Long-term prepayments	23	**2,042**	20,867
Deferred tax assets	29	**–**	4,752
Total non-current assets		**1,506,863**	1,058,375
CURRENT ASSETS			
Inventories	20	**241,823**	113,974
Gross amounts due from contract customers	21	**2,923,402**	3,970,267
Trade and bills receivables	22	**261,567**	161,214
Due from a related company	33	**117**	1,022
Due from a fellow subsidiary	33	**121**	–
Due from the ultimate holding company	33	**87**	87
Prepayments, deposits and other receivables	23	**904,830**	146,840
Pledged bank balances and time deposits	24	**791,030**	471,290
Unpledged cash and bank balances	24	**293,510**	1,745,951
Tax recoverable		**22,547**	–
Total current assets		**5,439,034**	6,610,645
CURRENT LIABILITIES			
Gross amounts due to contract customers	21	**574,915**	89,281
Trade and bills payables	25	**2,526,183**	2,611,976
Other payables, advance from customers and accruals	26	**491,002**	201,408
Interest-bearing bank borrowings	27	**1,554,049**	2,265,764
Due to a related company	33	**78**	–
Due to an associate	33	**630**	630
Dividends payable		**272,674**	16,353
Tax payable		**–**	80,668
Total current liabilities		**5,419,531**	5,266,080
NET CURRENT ASSETS		**19,503**	1,344,565
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,526,366**	2,402,940

Consolidated Statements of Financial Position

December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Finance lease payables	28	**171**	327
Interest-bearing bank borrowings	27	**–**	290,000
Deferred tax liabilities	29	**20,803**	58,173
Government grants	30	**2,213**	2,250
Total non-current liabilities		**23,187**	350,750
NET ASSETS		**1,503,179**	2,052,190
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**329,803**	324,560
Reserves	31	**1,086,408**	1,576,376
		1,416,211	1,900,936
Non-controlling interests		**86,968**	151,254
Total equity		**1,503,179**	2,052,190

Liu Haijun
Director

Cui Ying
Director

Consolidated Statements of Changes in Equity

Year ended December 31, 2013

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 31)	Share premium* RMB'000 (note 31)	Share option reserve* RMB'000 (note 32)	Capital reserve* RMB'000 (note 31)	Redemption reserve* RMB'000	Statutory surplus reserves* RMB'000	Expansion reserve* RMB'000 (note 31)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at January 1, 2012	1	–	–	(1)	1	25,938	17,121	8,237	598,029	649,326	155,097	804,423
Profit for the year	–	–	–	–	–	–	–	–	466,812	466,812	67,511	534,323
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	(213)	–	(213)	–	(213)
Total comprehensive income for the year	–	–	–	–	–	–	–	(213)	466,812	466,599	67,511	534,110
Issue of shares	38,947	1,047,680	–	–	–	–	–	–	–	1,086,627	–	1,086,627
Capitalisation issue	285,612	(285,612)	–	–	–	–	–	–	–	–	–	–
Share issue expenses	–	(51,968)	–	–	–	–	–	–	–	(51,968)	–	(51,968)
Transfer to statutory reserve fund	–	–	–	–	–	6,553	6,553	–	(13,106)	–	–	–
Equity-settled share option arrangements	–	–	6,908	–	–	–	–	–	–	6,908	–	6,908
Dividends declared	–	–	–	–	–	–	–	–	(256,556)	(256,556)	–	(256,556)
Dividends to a non-controlling equity holder	–	–	–	–	–	–	–	–	–	–	(71,354)	(71,354)
As at December 31, 2012 and January 1, 2013	324,560	710,100	6,908	(1)	1	32,491	23,674	8,024	795,179	1,900,936	151,254	2,052,190
Loss for the year	–	–	–	–	–	–	–	–	(471,301)	(471,301)	(42,371)	(513,672)
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	361	–	361	–	361
Total comprehensive income for the year	–	–	–	–	–	–	–	361	(471,301)	(470,940)	(42,371)	(513,311)
Issue of shares	5,243	141,048	–	–	–	–	–	–	–	146,291	11,000	157,291
Share issue expenses	–	(5,071)	–	–	–	–	–	–	–	(5,071)	–	(5,071)
Transfer to statutory reserve fund	–	–	–	–	–	3,023	3,023	–	(6,046)	–	–	–
Equity-settled share option arrangements	–	–	78,401	–	–	–	–	–	–	78,401	–	78,401
Dividends declared	–	–	–	–	–	–	–	–	(233,406)	(233,406)	–	(233,406)
Dividends to a non-controlling equity holder	–	–	–	–	–	–	–	–	–	–	(32,915)	(32,915)
As at December 31, 2013	329,803	846,077	85,309	(1)	1	35,514	26,697	8,385	84,426	1,416,211	86,968	1,503,179

* These reserve accounts represent the total consolidated reserves of RMB1,576,376,000 and RMB1,086,408,000 in the consolidated statements of financial position as at December 31, 2012 and 2013, respectively.

Consolidated Statements of Cash Flows

Year ended December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(546,291)**	699,929
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	8,14,15	**41,481**	22,004
Amortisation of intangible assets	8,18	**5,252**	4,912
Amortisation of prepaid land lease payments	8,16	**4,453**	4,804
Share of (profit)/loss of an associate		**(94)**	96
(Gain)/loss on disposal of items of property, plant and equipment	8	**(211)**	16
Equity-settled share option expense	32	**78,401**	6,908
Finance costs	7	**141,451**	126,504
Interest income	6	**(11,754)**	(19,989)
		(287,312)	845,184
Increase in inventories		**(127,849)**	(67,124)
(Increase)/decrease in trade and bills receivables		**(100,353)**	2,561
Increase in prepayment, deposits and other receivables		**(757,629)**	(62,634)
Decrease/(increase) in amounts due from/(to) contract customers		**1,532,499**	(1,785,344)
(Decrease)/increase in trade and bills payables		**(85,793)**	1,103,829
Increase in other payables, advance from customers and accruals		**289,594**	26,196
		463,157	62,668
Interest received		**11,754**	19,989
Interest paid		**(141,451)**	(126,504)
Tax paid		**(103,214)**	(160,543)
Net cash flows from/(used in) operating activities		**230,246**	(204,390)

Consolidated Statements of Cash Flows

Year ended December 31, 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(497,263)**	(377,532)
Deposits paid for purchase of land use rights		**–**	(13,822)
Decrease in an amount due from the ultimate holding company		**–**	2
(Increase)/decrease in an amount due from a fellow subsidiary		**(238)**	3,087
Decrease/(increase) in an amount due from a related company		**1,022**	(850)
Proceeds from disposal of items of property, plant and equipment		**414**	341
Purchase of other intangible assets	18	**(7,272)**	(5,911)
Increase in long-term prepayments		**–**	(20,867)
(Decrease)/increase in government grants		**(37)**	2,250
Net cash flows used in investing activities		**(503,374)**	(413,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**152,220**	1,034,659
Increase/(decrease) in an amount due to a related company		**78**	(78)
Capital element of finance lease payments		**(221)**	(570)
Dividends paid to a non-controlling equity holder		**(10,000)**	(55,001)
Dividends paid		**–**	(256,556)
(Increase)/decrease in pledged deposits		**(319,740)**	36,893
New bank loans		**1,743,557**	2,656,426
Repayment of bank loans		**(2,745,207)**	(1,692,100)
Increase in unpledged time deposits with original maturity of more than three months		**(2,068)**	(4,362)
Net cash flows (used in)/from financing activities		**(1,181,381)**	1,719,311
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,454,509)**	1,101,619
Cash and cash equivalents at beginning of year		**1,611,589**	509,970
Frozen and unpledged cash balances		**(12,786)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**144,294**	1,611,589

Consolidated Statements of Cash Flows

Year ended December 31, 2013

	Notes	**2013 RMB'000**	2012 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**152,829**	962,469
Unpledged time deposits with original maturity of less than three months when acquired		**4,251**	649,120
Unpledged time deposits with original maturity of more than three months when acquired		**136,430**	134,362
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	24	**293,510**	1,745,951
Unpledged time deposits with original maturity of more than three months when acquired		**(136,430)**	(134,362)
Frozen and unpledged cash balances		**(12,786)**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**144,294**	1,611,589

Statements of Financial Position

December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	34	**1**	1
Total non-current assets		**1**	1
CURRENT ASSETS			
Due from subsidiaries	33	**959,195**	61,474
Prepayments, deposits and other receivables	23	**391**	–
Dividends receivables		**696,609**	438,609
Cash and cash equivalents	24	**9,496**	1,029,153
Total current assets		**1,665,691**	1,529,236
CURRENT LIABILITIES			
Other payable and accruals	26	**442**	8,917
Due to subsidiaries	33	**30,109**	249,862
Dividends payable		**233,406**	–
Total current liabilities		**263,957**	258,779
NET CURRENT ASSETS		**1,401,734**	1,270,457
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,401,735**	1,270,458
NET ASSETS		**1,401,735**	1,270,458
EQUITY			
Issued capital	31	**329,803**	324,560
Reserves	31(d)	**1,071,932**	945,898
TOTAL EQUITY		**1,401,735**	1,270,458

Liu Haijun
Director

Cui Ying
Director

Notes to Financial Statements

Year ended December 31, 2013

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 petrochemical 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").

2.1 BASIS OF PRESENTATION

The Group incurred a net loss of approximately RMB513,672,000 during the year ended December 31, 2013.

In September 2013, the Group received a demand notice from a bank for the immediate repayment of loans in an aggregate amount of RMB186 million. In December 2013, the bank reached an agreement on a repayment schedule with the Group and withdrew the repayment demand. In addition, the Group's office buildings have been frozen as a condition for the withdrawal of the demand notice. Thereafter, the Group was in default of its repayment on certain secured bank borrowings of RMB250 million as at December 31, 2013. As a result of the default, other banks have the right to demand immediate repayment for loans at December 31, 2013 with aggregate outstanding principal amount of RMB1,304 million.

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

1. the directors of the Company are active in negotiations with potential strategic investors in respect of a possible equity investment in the Company;

2. the directors of the Company are active in negotiations with the banks and other creditors to defer or roll over the Group's bank and other borrowings;

3. urging the collection of trade receivables and amounts due from contract customers; and

4. the Group continues to monitoring the operating cash flows through cutting costs and capital expenditures.

The directors are of the opinion that, after taking into account the measures as mentioned above and existing contract backlogs, the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from December 31, 2013. Accordingly the consolidated financial statements have been prepared on a going concern basis.

Notes to Financial Statements

Year ended December 31, 2013

2.1 BASIS OF PRESENTATION (CONTINUED)

Should the going concern assumption be inappropriate, adjustments would have been made to state the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the financial statements.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinances. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 BASIS OF PREPARATION

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Notes to Financial Statements

Year ended December 31, 2013

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC-20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, amendments to IFRS 10, IFRS 11 and IFRS 12, IAS 1, IAS 19 and IAS 36, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC-12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at January 1, 2013.

Notes to Financial Statements

Year ended December 31, 2013

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities —Non-Monetary Contributions by Ventures*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 (Revised).

The adoption of the revised standard has had no effect on the financial position or performance of the Group.

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the subsidiaries and associates are included in notes 19 and 34 to the financial statements.

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. The application of IFRS 13 does not have significant impact to the Group's financial statements.

(f) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition,the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments to these financial statements.

Notes to Financial Statements

Year ended December 31, 2013

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(g) IAS 19 (Amendments to IAS 19) include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the amendments has had no effect on the financial position or performance of the Group.

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided IFRS 13 is also applied.

The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 17 to the financial statements.

(i) *Annual Improvements 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

Notes to Financial Statements

Year ended December 31, 2013

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 Effective for annual periods beginning on or after January 1, 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

Notes to Financial Statements

Year ended December 31, 2013

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

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the financial standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (as revised in 2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2014.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Investment in an associate

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group elects whether to measure the non-controlling interest in the acquiree that are present ownership interests and entitle their holder to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identified assets. All other components of non-controlling interests are measured at fair value. 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.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 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 recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

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

Fair value measurement

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

   (ii) has significant influence over the Group; or

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

or

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

(vi) the entity is controlled or jointly-controlled by a person identified in (a); 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, other than construction in progress, 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 the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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.

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

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 (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment properties) 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 at cost, including transaction costs.

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Research and development costs

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

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

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 capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of 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 the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of 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 recognised on the straight-line basis over the lease terms.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

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

Derecognition of financial assets

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

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the 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 reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the 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, recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced either through the use of an allowance account and the loss is recognised in the statement of 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 and all collateral has been realised or has been transferred to the Group.

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised 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 a related company, an amount due to an associate, dividends payable, 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 bank borrowings and finance lease payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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 recognised 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 recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expires.

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow-moving items. Cost is determined on the weighted average basis and in case of finished goods, comprises direct materials, direct labour and appropriate proportion of overheads. Net realisable 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 labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised 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 recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

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

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

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

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

Income tax

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised 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 exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

Other employee retirement benefits

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the 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 benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the 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.

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement 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 recognised as a liability.

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

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

Notes to Financial Statements

Year ended December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

For the purpose of the consolidated statement of cash flows, 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial 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 judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Notes to Financial Statements

Year ended December 31, 2013

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

Impairment of non-financial assets (other than goodwill)

The 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 of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements

Year ended December 31, 2013

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of trade receivables

The Group maintains an allowance for the 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") in 2007. This requires an estimation of the value in use of the asset and the cash-generating unit to which the asset is allocated. Management consider that the goodwill should be allocated to the Group's operating segment (cash generating unit) as Henan Chemical Industry Design Institute provides 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 unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2013 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 Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Deferred tax assets

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

Notes to Financial Statements

Year ended December 31, 2013

5. OPERATING SEGMENT INFORMATION

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

(a) Petrochemicals segment engages in the provision of engineering, procurement and construction ("**EPC**") services to ethylene and downstream petrochemicals producers, 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 refinery 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, which is a measure of adjusted profit 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 a related company, amounts due from a fellow subsidiary and an amount due from the ultimate holding company, tax recoverable, 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 an associate, dividends payable, tax payable, finance lease payables, government grants and deferred tax liabilities as these liabilities are managed on a group basis.

No further geographical 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.

Notes to Financial Statements

Year ended December 31, 2013

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments

Year ended December 31, 2013	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	1,472,957	1,407,482	51,111	742,968	3,674,518
Intersegment sales	2,488	45,824	–	–	48,312
Total revenue	1,475,445	1,453,306	51,111	742,968	3,722,830
Reconciliation:					
Elimination of intersegment sales					(48,312)
Revenue from continuing operations					3,674,518
Segment results	132,271	(127,282)	(35,169)	172,990	142,810
Reconciliations:					
Unallocated income					33,959
Unallocated expenses					(581,703)
Share of profit of an associate					94
Finance costs					(141,451)
Loss before tax					(546,291)
Segment assets	1,200,637	1,496,088	775,442	739,728	4,211,895
Reconciliations:					
Elimination of intersegment receivables					(36,329)
Corporate and other unallocated assets					2,770,331
Total assets					6,945,897
Segment liabilities	851,967	840,612	1,120,645	329,394	3,142,618
Reconciliations:					
Elimination of intersegment payables					(37,476)
Corporate and other unallocated liabilities					2,337,576
Total liabilities					5,442,718
Other segment information					
Share of profit of:					
an associate	–	–	–	94	94
Depreciation and amortisation					
Unallocated	–	–	–	–	51,186
Segment	–	–	–	–	–
Investment in an associate	–	–	–	1,992	1,992
Capital expenditure*					
Unallocated	–	–	–	–	504,535
Segment	–	–	–	–	–

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

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Year ended December 31, 2013

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

Year ended December 31, 2012	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refinery RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	455,737	3,173,235	301,580	961,356	4,891,908
Intersegment sales	33,244	29,547	–	–	62,791
Total revenue	488,981	3,202,782	301,580	961,356	4,954,699
Reconciliation:					
Elimination of intersegment sales					(62,791)
Revenue from continuing operations					4,891,908
Segment results	113,492	755,263	75,478	195,398	1,139,631
Reconciliations:					
Unallocated income					35,959
Unallocated expenses					(349,061)
Share of loss of an associate					(96)
Finance costs					(126,504)
Profit before tax					699,929
Segment assets	798,613	1,932,240	757,799	808,069	4,296,721
Reconciliations:					
Elimination of intersegment receivables					(42,904)
Corporate and other unallocated assets					3,415,203
Total assets					7,669,020
Segment liabilities	403,000	1,232,526	479,801	607,588	2,722,915
Reconciliations:					
Elimination of intersegment payables					(17,660)
Corporate and other unallocated liabilities					2,911,575
Total liabilities					5,616,830
Other segment information					
Share of loss of:					
an associate	–	–	–	(96)	(96)
Depreciation and amortisation					
Unallocated	–	–	–	–	31,720
Segment	–	–	–	–	–
Investment in an associate	–	–	–	1,898	1,898
Capital expenditure*					
Unallocated	–	–	–	–	418,132
Segment	–	–	–	–	–

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, long-term prepayments and other intangible assets.

Notes to Financial Statements

Year ended December 31, 2013

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2013	2012
Customer A (Petrochemicals segment)	**23.5%**	N/A*
Customer B (Other products and services segment)	**11.7%**	18.4%
Customer C (Coal-to-chemicals segment)	**10.2%**	N/A*
Customer D (Coal-to-chemicals segment)	**N/A***	29.2%
Customer E (Coal-to-chemicals segment)	**N/A***	24.8%

* The revenue derived from each of these customers amounted to less than 10% of the Group's revenue during the years ended December 31, 2012 or 2013.

Notes to Financial Statements

Year ended December 31, 2013

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 year.

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

	2013 **RMB'000**	2012 RMB'000
Revenue		
Construction contracts	**3,331,850**	4,622,603
Sale of goods	**19,213**	24,909
Rendering of services	**323,455**	244,396
	3,674,518	4,891,908
Other income		
Government grants*	**13,818**	5,974
Interest income	**11,754**	19,989
Rental income	**7,538**	8,035
Sales of scrap materials	**–**	2
Others	**638**	1,959
	33,748	35,959
Gains		
Gain on disposal of items of property, plant and equipment	**211**	–
	33,959	35,959

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

Notes to Financial Statements

Year ended December 31, 2013

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans	**134,161**	125,868
Interest on bills receivable	**6,670**	556
Interest on finance leases	**620**	80
	141,451	126,504

8. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		**15,145**	13,787
Cost of services provided		**3,516,563**	3,738,490
Depreciation	14, 15	**41,481**	22,004
Research and development costs		**124,134**	104,417
Amortisation of prepaid land lease payments	16	**4,453**	4,804
Amortisation of intangible assets	18	**5,252**	4,912
(Gain)/loss on disposal of items of property, plant and equipment		**(211)**	16
Minimum lease payments under operating leases		**20,239**	15,559
Auditors' remuneration		**4,477**	8,480
Foreign exchange differences, net		**29,560**	3,160
Employee benefit expense (including directors' and chief executive's remuneration) (note 9):			
Wages and salaries		**554,992**	382,848
Equity settled share options		**78,401**	6,908
Retirement benefit scheme contributions		**52,665**	35,573
		686,058	425,329

Notes to Financial Statements

Year ended December 31, 2013

9. DIRECTORS', CHIEF EXECUTIVE'S 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 "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 **RMB'000**	2012 RMB'000
Fees	**522**	9
Other emoluments:		
Salaries, allowances and benefits in kinds	**7,724**	2,456
Discretionary bonus	**1,323**	435
Equity settled share option expenses	**3,738**	172
Retirement benefit scheme contributions	**135**	66
Total	**13,442**	3,138

During the year and in prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Notes to Financial Statements

Year ended December 31, 2013

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

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

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Equity settled share option expenses	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013						
— Mr. Hua Bangsong	–	1,843	290	–	–	2,133
— Mr. Liu Haijun	–	1,596	211	1,246	36	3,089
— Mr. Chen Wenfeng*	–	1,214	400	–	27	1,641
— Mr. Cui Ying**	–	1,596	211	1,246	36	3,089
— Mr. Zhou Hongliang**	–	1,475	211	1,246	36	2,968
— Mr. Choy Sze Chung Jojo*	138	–	–	–	–	138
— Mr. Liu Ji	192	–	–	–	–	192
— Mr. Wu Jianmin	192	–	–	–	–	192
	522	7,724	1,323	3,738	135	13,442
Year ended December 31, 2012						
— Mr. Hua Bangsong	–	–	–	–	–	–
— Mr. Liu Haijun	–	1,343	300	106	33	1,782
— Mr. Chen Wenfeng	–	1,113	135	66	33	1,347
— Mr. Choy Sze Chung Jojo	3	–	–	–	–	3
— Mr. Liu Ji	3	–	–	–	–	3
— Mr. Wu Jianmin	3	–	–	–	–	3
	9	2,456	435	172	66	3,138

The Company did not appoint chief executive during 2013 and 2012.

* Mr. Chen Wenfeng resigned as an executive director of the Company from September 18, 2013. Mr. Choy Sze Chung Jojo resigned from an independent non-executive director from September 19, 2013.

** Mr. Cui Ying and Mr. Zhou Hongliang were appointed as the executive directors of the Company from September 10, 2013.

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

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Year ended December 31, 2013

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

(b) Five highest paid employees

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

	2013	2012
Directors	**3**	2
Non-director and non-chief executive employees	**2**	3
	5	5

Details of the remuneration of the directors and chief executive are set out in above.

Details of the remuneration of the non-director and non-chief executive highest paid employees for the year ended December 31, 2013 are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, allowances and benefits in kinds	**2,916**	3,687
Equity settled share option expenses	**2,055**	–
Retirement benefit scheme contributions	**72**	99
	5,043	3,786

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

	2013	2012
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	2	3

Notes to Financial Statements

Year ended December 31, 2013

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

(b) Five highest paid employees (Continued)

During the year ended December 31, 2012, share options were granted to 3 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year ended December 31, 2013, no emoluments were paid by the Group to any of the persons who are directors of the Company, the chief executive 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, Singapore and United States of America as the Group did not have any assessable income arising in Hong Kong, Singapore and United States of America during the year ended December 31, 2013 (2012: Nil).

	2013 **RMB'000**	2012 RMB'000
Current — Mainland China:		
Charge for the year	**–**	102,282
Deferred (note 29)	**(32,619)**	63,324
Total tax (credit)/charge for the year	**(32,619)**	165,606

惠生工程(中國)有限公司 ("Wison Engineering") was qualified as a "High and New Technology Enterprise" in 2011 and was entitled to a preferential corporate income tax ("CIT") rate of 15% for three years successively from 2011 to 2013. Hence, Wison Engineering was subject to CIT at a rate of 15% in 2012 and 2013.

惠生(揚州)化工機械有限公司 ("Wison Yangzhou") was entitled to a CIT rate of 25%.

Notes to Financial Statements

Year ended December 31, 2013

10. INCOME TAX (CONTINUED)

A reconciliation of income tax expense applicable to (loss)/profit 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 the year as follows:

	2013 **RMB'000**	2012 RMB'000
(Loss)/Profit before tax	**(546,291)**	699,929
At the statutory income tax rates	**(136,573)**	174,982
Lower tax rate enacted by local authority	**41,911**	(75,940)
Tax losses not recognised	**94,593**	15,058
Withholding taxes on undistributed profits of the subsidiaries in Mainland China	**(37,370)**	59,136
Additional tax deduction	**(4,674)**	(9,687)
Expenses not deductible for tax	**9,494**	2,057
Tax (credit)/charge for the year	**(32,619)**	165,606

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Year ended December 31, 2013

11. DIVIDENDS

	2013 RMB'000	2012 RMB'000
2013 Interim — RMB0.057424 per share (2012: N/A)	**233,406**	256,556

The Company declared interim dividends to its shareholder of RMB0.057424 per share during 2013. The rates of dividends and the number of shares ranking for dividends for 2012 are not presented as such information is not considered meaningful for the purpose of these financial statements.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for 2013 is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,060,904,022 in issue during the year.

The calculation of the basic earnings per share amount for 2012 is based on the profit for the year ended December 31, 2012 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,525,260,274 issued during the year after taking into account the capitalisation issue in 30 November 2012.

No diluted earnings per share are presented for 2013 because the dilutive potential ordinary shares are anti-dilutive.

The calculation of the diluted earnings per share amount for 2012 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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Year ended December 31, 2013

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2013 **RMB'000**	2012 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**(471,301)**	466,812
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,060,904,022**	3,525,260,274
Effect of dilution — weighted average number of ordinary shares:		
— Share options	**–**	2,169,019
	4,060,904,022	3,527,429,293

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended December 31, 2013 includes a profit of RMB145,062,000 (2012: RMB507,354,000) which has been dealt with in the financial statements of the Company (note 31(d)).

Notes to Financial Statements

Year ended December 31, 2013

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2013							
At December 31, 2012 and January 1, 2013:							
Cost	248,309	6,856	16,732	29,557	49,952	573,386	924,792
Accumulated depreciation	(62,544)	(2,605)	(10,964)	(18,665)	(30,560)	–	(125,338)
Net carrying amount	185,765	4,251	5,768	10,892	19,392	573,386	799,454
At January 1, 2013, net of accumulated depreciation	185,765	4,251	5,768	10,892	19,392	573,386	799,454
Additions	–	–	2,210	–	35,385	478,493	516,088
Depreciation provided during the year	(24,258)	(2,012)	(1,825)	(2,892)	(9,914)	–	(40,901)
Disposals	–	–	–	(172)	(31)	–	(203)
Transfers	1,051,879	–	–	–	–	(1,051,879)	–
At December 31, 2013, net of accumulated depreciation	1,213,386	2,239	6,153	7,828	44,832	–	1,274,438
At December 31, 2013:							
Cost	1,300,188	6,856	18,942	27,840	85,060	–	1,438,886
Accumulated depreciation	(86,802)	(4,617)	(12,789)	(20,012)	(40,228)	–	(164,448)
Net carrying amount	1,213,386	2,239	6,153	7,828	44,832	–	1,274,438

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Year ended December 31, 2013

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2012							
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	194,059	5,415	7,286	8,802	17,129	211,011	443,702
At January 1, 2012, net of accumulated depreciation	194,059	5,415	7,286	8,802	17,129	211,011	443,702
Additions	–	891	95	6,015	8,156	362,375	377,532
Depreciation provided during the year	(8,294)	(2,055)	(1,613)	(3,807)	(5,654)	–	(21,423)
Disposals	–	–	–	(118)	(239)	–	(357)
At December 31, 2012, net of accumulated depreciation	185,765	4,251	5,768	10,892	19,392	573,386	799,454
At December 31, 2012:							
Cost	248,309	6,856	16,732	29,557	49,952	573,386	924,792
Accumulated depreciation	(62,544)	(2,605)	(10,964)	(18,665)	(30,560)	–	(125,338)
Net carrying amount	185,765	4,251	5,768	10,892	19,392	573,386	799,454

At December 31, 2013, certain of the Group's buildings with a net book value of approximately RMB118,288,000 (2012: RMB123,394,000) 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 amount of the office equipment at December 31, 2013 amounted to RMB605,000 (2012: RMB917,000).

At December 31, 2013, lien was imposed on certain of the Group's buildings with a net book value of RMB1,154,389,000 by People Court of Shanghai at the request of the Group's certain banks (note 27).

The Group's buildings are situated in Mainland China and are held under long term leases except for the buildings with net book value of RMB1,052,417,000 (2012: RMB16,892,000) are held under medium term lease.

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15. INVESTMENT PROPERTIES

	2013 RMB'000	2012 RMB'000
Carrying amount at January 1	**15,296**	15,877
Depreciation	**(580)**	(581)
Carrying amount at December 31	**14,716**	15,296

The fair values of the Group's investment properties were RMB38,258,000 as at December 31, 2013 (2012: RMB36,809,000), based on valuations performed 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 situated in Mainland China under a medium term lease and is leased to a third party under operating leases (note 35).

16. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
Carrying amount at January 1	**191,638**	14,786
Additions during the year	**–**	181,656
Amortised during the year	**(4,453)**	(4,804)
Carrying amount at end of the year	**187,185**	191,638
Current portion included in prepayments, deposits and other receivables	**(4,453)**	(4,453)
Non-current portion	**182,732**	187,185

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:

	2013 RMB'000	2012 RMB'000
Long term lease (≥50 years)	**13,939**	14,355
Medium term lease (<50 years)	**173,246**	177,283
	187,185	191,638

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Year ended December 31, 2013

16. PREPAID LAND LEASE PAYMENTS (CONTINUED)

At December 31, 2013, certain of the Group's leasehold interests on land with the carrying amount of approximately RMB11,444,000 (2012: RMB11,756,000) were pledged to secure banking facilities granted to the Group (note 27).

At December 31, 2013, lien was imposed on certain of the Group's parcel of land with a carrying amount of RMB184,690,000 by the People Court of Shanghai at the request of the Group's certain banks (note 27).

17. GOODWILL

	2013 **RMB'000**	2012 RMB'000
Carrying amount at beginning of year and at the end of the year	**15,752**	15,752

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

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 year. The directors has estimated the discount rate of 12% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The growth rate of 20% is based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for 2013 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.

Notes to Financial Statements

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18. OTHER INTANGIBLE ASSETS

	2013 RMB'000	2012 RMB'000
Software		
At January 1		
Cost	**36,259**	30,348
Accumulated amortisation	**(23,088)**	(18,176)
Net carrying amount	**13,171**	12,172
Cost at January 1, net of accumulated amortisation	**13,171**	12,172
Additions	**7,272**	5,911
Amortisation provided during the year	**(5,252)**	(4,912)
At the end of the year, net of accumulated amortisation	**15,191**	13,171
At the end of the year		
Cost	**43,531**	36,259
Accumulated amortisation	**(28,340)**	(23,088)
Net carrying amount	**15,191**	13,171

19. INVESTMENT IN AN ASSOCIATE

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**–**	–
Share of net assets	**1,992**	1,898
	1,992	1,898

The investment in an associate as at December 31, 2013 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.

The principal activity of Henan Chuangsite is the provision of supervisory services for construction projects. The Group's equity holding in Henan Chuangsite is held through a subsidiary of the Company.

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

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19. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following table illustrates the summarised financial information of Henan Chuangsite, the Group's associate, extracted from its management accounts:

	2013 RMB'000	2012 RMB'000
Assets	**7,353**	6,928
Liabilities	**713**	602
Revenue	**869**	4,495
Profit/(loss) for the year	**314**	(319)

20. INVENTORIES

	2013 RMB'000	2012 RMB'000
Construction materials, net	**228,746**	102,649
Raw materials, gross	**8,307**	8,692
Work in progress, gross	**4,146**	1,713
Finished goods, gross	**624**	920
	241,823	113,974

The movements in the provision for inventory provision are as follows:

	2013 RMB'000	2012 RMB'000
At January 1	**2,556**	2,556
Impairment for the year	**–**	–
At December 31	**2,556**	2,556

Notes to Financial Statements

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21. CONSTRUCTION CONTRACTS

	2013 **RMB'000**	2012 RMB'000
Gross amounts due from contract customers	**2,923,402**	3,970,267
Gross amounts due to contract customers	**(574,915)**	(89,281)
	2,348,487	3,880,986

	2013 **RMB'000**	2012 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**20,578,799**	18,659,352
Less: Progress billings	**(18,230,312)**	(14,778,366)
	2,348,487	3,880,986

As at December 31, 2012, RMB216,260,000 of advances to suppliers were included in the gross amount due from/(to) contract customers.

The gross amounts due from/(to) contract customers for contract work include balances with fellow subsidiaries and a related company of the Company as follows:

	2013 **RMB'000**	2012 RMB'000
Fellow subsidiaries		
惠生(南京)清潔能源股份有限公司 (formerly known as 惠生(南京)化工有限公司 ("Wison Nanjing"))	**23**	(1,772)
舟山惠生海洋工程有限公司 ("Zhoushan Wison")	**660,463**	772,699
Related company		
陝西長青能源化工有限公司 ("Shaanxi Changqing")*	**595,165**	690,605

* Shaanxi Changqing is indirectly owned as to 16.35% by Mr. Hua Bangsong, a director and beneficial shareholder of the Company.

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Year ended December 31, 2013

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 the respective contracts' retention period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise 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 the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	2013 **RMB'000**	2012 RMB'000
Trade and bills receivables:		
Less than 3 months	**35,254**	79,857
4 to 6 months	**52,483**	4,371
7 to 12 months	**106,712**	10,399
Over 1 year	**67,118**	66,587
	261,567	161,214

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

	2013 **RMB'000**	2012 RMB'000
At January 1	**765**	765
Impairment for the year	**–**	–
At December 31	**765**	765

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Year ended December 31, 2013

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**70,093**	82,971
Less than 3 months	**21,684**	2,326
4 to 12 months	**105,864**	10,330
Over 1 year	**63,926**	65,587
	261,567	161,214

The amounts due from a fellow subsidiary and related companies included in the trade receivables are as follows:

	2013 RMB'000	2012 RMB'000
Fellow subsidiary		
Wison Nanjing	**–**	319
Related company		
Shaanxi Changqing	**500**	500
Wison Offshore & Marine Ltd.	**2,956**	–

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.

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Year ended December 31, 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2013 **RMB'000**	2012 RMB'000
Current portion of prepaid land lease payments	**4,453**	4,453
Prepayments	**750,816**	29,229
Deposits	**11,092**	9,463
Other receivables, net of provision for impairment	**140,511**	124,562
	906,872	167,707
Less: Non-current portion	**(2,042)**	(20,867)
	904,830	146,840

The amounts due from a related company included in prepayments and other receivables are as follows:

	2013 **RMB'000**	2012 RMB'000
Related company		
Shaanxi Changqing	**–**	12,219

In 2012, Wison Engineering had entered into a joint venture agreement ("JV Agreement") with Hyundai Engineering & Construction Co., Ltd. and Hyundai Engineering Co., Ltd. to form an investment consortium, whereby it was mutually agreed that the investment consortium will enter into construction agreements with PDVSA Petroleos, S.A. to undertake an overseas construction project for PDVSA Petroleos, S.A. (at an aggregate contract value of approximately USD2,994 million).

As at December 31, 2013, the voting power, profit sharing of the joint venture has not yet been determined by the joint venture partners who are currently bearing their own costs.

Other receivables as at December 31, 2013 included an amount of RMB809,000 (2012: RMB2,298,000) for expense reimbursement from Hyundai Engineering & Construction Co., Ltd. and Hyundai Engineering Co., Ltd.. The receivable from Hyundai Engineering Co., Ltd. and Hyundai Engineering Co., Ltd. is unsecured, interest-free and repayment on demand.

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Year ended December 31, 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Company

	2013 **RMB'000**	2012 RMB'000
Other receivables	**391**	–

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The fair values of other receivables approximated to their corresponding carrying amount due to their relatively short maturity term.

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

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2013 **RMB'000**	2012 RMB'000
Cash and bank balances	**394,390**	1,202,500
Time deposits with original maturity of less than three months	**553,720**	741,687
Time deposits with original maturity of more than three months	**136,430**	273,054
	1,084,540	2,217,241
Less: Pledged bank balances and time deposits	**(791,030)**	(471,290)
Unpledged cash and cash equivalents	**293,510**	1,745,951
Less: Frozen and unpledged cash balances	**(12,786)**	–
Unpledged and unfrozen cash and cash equivalents	**280,724**	1,745,951

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Year ended December 31, 2013

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

At December 31, 2013, bank deposits of RMB240,380,000 (2012: RMB400,125,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At December 31, 2013, bank deposits of RMB50,650,000 (2012: RMB52,970,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At December 31, 2013, bank deposits of RMB500,000,000 (2012: nil) were pledged as security for bank loans (note 27).

At December 31, 2012, bank deposits of RMB18,195,000 were pledged as security for bill facilities granted by a bank.

At December 31, 2013, the cash and bank balances of the Group denominated in RMB amounted to RMB1,065,244,000 (2012: RMB1,011,510,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at December 31, 2013, certain bank accounts of the Group of RMB193,312,000 were frozen by the PRC regulatory authorities as part of their investigation, among the total frozen bank balances of which, RMB180,526,000 of pledged bank balances and time deposits were frozen.

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

	2013 **RMB'000**	2012 RMB'000
Cash and bank balances	**9,496**	380,033
Time deposits with original maturity of less than three months	**–**	649,120
Cash and bank balances	**9,496**	1,029,153

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25. TRADE AND BILLS PAYABLES

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

	2013 **RMB'000**	2012 RMB'000
Less than 1 year	**2,346,706**	2,323,626
1 to 2 years	**116,006**	120,618
2 to 3 years	**63,471**	151,506
Over 3 years	**–**	16,226
	2,526,183	2,611,976

The amount due to a related company included in the trade payables is as follows:

	2013 **RMB'000**	2012 RMB'000
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua"))	**1,984**	–

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

26. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS

Group

	2013 **RMB'000**	2012 RMB'000
Accruals	**7,536**	15,145
Advance from customers	**4,044**	3,998
Other payables	**479,422**	182,265
	491,002	201,408

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Year ended December 31, 2013

26. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS (CONTINUED)

Company

	2013 **RMB'000**	2012 RMB'000
Accruals	**396**	8,917
Other payables	**46**	–
	442	8,917

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2013 **RMB'000**	2012 RMB'000
Current		
Bank loans repayable within one year		
— secured	**1,417,997**	1,865,472
— unsecured	**135,825**	400,000
	1,553,822	2,265,472
Finance lease payables (note 28)	**227**	292
	1,554,049	2,265,764
Non-current		
Bank loans repayable in the second year		
— secured	**–**	140,000
Bank loans repayable in the third to fifth years		
— secured	**–**	150,000
	–	290,000
Finance lease payables (note 28)	**171**	327
	171	290,327
	1,554,220	2,556,091

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Year ended December 31, 2013

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Bank and other borrowings balances at December 31, 2013 were denominated in RMB and bore interest at floating rates except for loans of RMB1,083,825,000 at December 31, 2013 (2012: RMB1,196,048,000), which bore interest at fixed rates.

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

Year ended December 31, 2012	3.74% to 7.92%
Year ended December 31, 2013	4.30% to 7.91%

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

	Notes	**2013** **RMB'000**	2012 RMB'000
Buildings	14	**118,288**	123,394
Leasehold interests on land	16	**11,444**	11,756
Time deposits	24	**500,000**	–

During the year ended December 31, 2013, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees to certain bank for bank facilities to the Group of RMB450,000,000 (2012: RMB1,150,000,000) for nil consideration. As at December 31, 2013, the loans were drawn down to the extent of RMB400,000,000 (2012: RMB565,000,000).

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, 中國石油四川石化有限責任公司 and other customers are pledged as security (note 22). As at December 31, 2013, the bank loans were drawn down to the extent of RMB671,997,000 (2012: RMB1,179,048,000).

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

In September 2013, the Agriculture Bank of China ("ABC") applied to the People Court of Shanghai against the Group's subsidiary in Shanghai to impose lien on its office buildings with a carrying value of RMB1,154,389,000 at December 31, 2013 and the related parcels of land with carrying value of RMB184,690,000 at December 31, 2013 to demand the Group to repay the loans in an aggregate principal amount of RMB186 million and all related interests. In November 2013, the Group reached a compromise agreement with ABC to repay RMB40 million by February 28, 2014. The repayment of the remaining amount with principal of RMB146 million will be in May 2014. Should the loan repayment not be made when due, ABC can confiscate the foregoing office buildings together and the associate parcel of land and sell off to repay the due bank loans. The Group repaid RMB40 million to ABC on February 28, 2014 in accordance with the agreed repayment schedule with ABC.

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Year ended December 31, 2013

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The Group had loan fall due on December 30, 2013 with China Development Bank ("CDB") with aggregate amount of RMB300 million and the Group could only settle RMB50 million. In January 2014, the Group settled additional RMB10 million to CDB. The Company has reached a settlement arrangement with CDB, pursuant to which CDB agreed to release the lien on the office buildings of the Group's subsidiary in Shanghai with a carrying value of RMB1,154,389,000 and the related parcels of land with carrying value of RMB184,690,000 at December 31, 2013 subject to the repayment progress of the Group.

The default of the foregoing bank loans has triggered cross default provisions of the bank facilities with other banks of the Group. Accordingly, bank loans with maturity dates of more than 1 year with a total amount of RMB69,997,000 have been reclassified to short-term bank loans.

28. FINANCE LEASE PAYABLES

During the years ended December 31, 2013 and 2012, the Group leased certain of its office machinery for its operation requirements. These leases are classified as finance leases and have remaining lease terms ranging from 3 to 5 years.

At December 31, 2013 and 2012, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments December 31, 2013 RMB'000	Present value of payments December 31, 2013 RMB'000
Amounts payable:		
Within one year	246	227
In the second year	130	122
In the third to fifth years, inclusive	49	49
Total minimum finance lease payments	425	398
Future finance charges	(27)	
Total net finance lease payables	398	
Portion classified as current liabilities (note 27)	(227)	
Non-current portion	171	

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Year ended December 31, 2013

28. FINANCE LEASE PAYABLES (CONTINUED)

	Minimum lease payments December 31, 2012 RMB'000	Present value of payments December 31, 2012 RMB'000
Amounts payable:		
Within one year	287	252
In the second year	225	207
In the third to fifth years, inclusive	169	160
Total minimum finance lease payments	681	619
Future finance charges	(62)	
Total net finance lease payables	619	
Portion classified as current liabilities (note 27)	(292)	
Non-current portion	327	

29. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during year are as follows:

Deferred tax assets

	2013 RMB'000	2012 RMB'000
At January 1	**4,752**	8,940
Deferred tax charged to profit or loss during the year	**(4,752)**	(4,188)
Gross deferred tax assets at December 31	**–**	4,752

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Year ended December 31, 2013

29. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities

	2013 RMB'000	2012 RMB'000
At January 1	**58,173**	63,255
Realised during the year	**–**	(64,218)
Deferred tax (credited)/charged to profit or loss during the year	**(37,370)**	59,136
Gross deferred tax liabilities at December 31	**20,803**	58,173

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

	2013 RMB'000	2012 RMB'000
Provision for impairment of assets	**–**	514
Accruals and payables	**–**	4,238
Deferred tax assets at year end	**–**	4,752

Deferred tax liabilities

	2013 RMB'000	2012 RMB'000
Withholding taxes arising from undistributed profits of the PRC subsidiaries	**20,803**	58,173
Deferred tax liabilities at year end	**20,803**	58,173

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Year ended December 31, 2013

29. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities (Continued)

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

	2013 RMB'000	2012 RMB'000
Deductible temporary differences	87,149	–
Tax losses	427,010	60,235
	514,159	60,235

There are no income tax consequences attaching to the payment of dividends by the Company to its equity holders.

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

30. GOVERNMENT GRANTS

	2013 RMB'000	2012 RMB'000
Carrying amount at beginning of the year	2,250	–
Received during the year	13,781	8,224
Released to the profit or loss (note 6)	(13,818)	(5,974)
Carrying amount at end of the year	2,213	2,250

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31. ISSUED CAPITAL AND RESERVES

(a) Shares

	2013	2012
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000
Issued:		
Ordinary shares of HK$0.1 each	**4,064,622,000**	4,000,000,000

	2013 RMB'000	2012 RMB'000
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued:		
Ordinary shares of HK$0.1 each	**329,803**	324,560

Pursuant to a resolution in writing passed by the sole shareholder of the Company on November 30, 2012, the authorised share capital of the Company was increased from HK$300,000 to HK$2,000,000,000 of HK$0.1 each by the creation of additional 19,997,000,000 shares of HK$0.1 each.

Pursuant to resolutions in writing passed by the sole shareholder of the Company on November 30, 2012, the directors of the Company were authorised to capitalise HK$351,999,000 to be standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 3,519,990,000 shares. On November 30, 2012, 3,519,990,000 shares of HK$0.1 each were conditionally allotted and issued on December 28, 2012.

On December 28, 2012, 480,000,000 shares of HK$0.1 each of the Company were issued at HK$2.79 by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$48,000,000 (approximately RMB38,947,000), representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$1,291,200,000 (approximately RMB1,047,680,000) have been credited to the share premium account.

On January 22, 2013, the Company further issued 64,622,000 ordinary shares of HK$0.1 each at a subscription price of HK$2.79 per share pursuant to the exercise of over-allotment options, resulting in a share premium of RMB141,048,000, representing the difference between the subscription price and nominal value of the Company's ordinary shares before netting off share issue cost.

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Year ended December 31, 2013

31. ISSUED CAPITAL AND RESERVES (CONTINUED)

(b) Share premium account

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(c) 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 capitalisation 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 capitalised as the registered capital.

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

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31. ISSUED CAPITAL AND RESERVES (CONTINUED)

(d) Reserves of the Company

	Share option reserve RMB'000	Share premium RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At January 1, 2012	–	–	(21,908)	(21,908)
Capitalisation issue	–	(285,612)	–	(285,612)
Issue of new shares	–	1,047,680	–	1,047,680
Share issue expenses	–	(51,968)	–	(51,968)
Net profit and total comprehensive income for the year (note 13)	–	–	507,354	507,354
Equity-settled share option arrangements (note 32)	6,908	–	–	6,908
Dividend declared	–	–	(256,556)	(256,556)
At December 31, 2012 and January 1, 2013	**6,908**	**710,100**	**228,890**	**945,898**
Issue of new shares	**–**	**141,048**	**–**	**141,048**
Share issue expenses	**–**	**(5,071)**	**–**	**(5,071)**
Net profit and total comprehensive income for the year (note 13)	**–**	**–**	**145,062**	**145,062**
Equity-settled share option arrangements (note 32)	**78,401**	**–**	**–**	**78,401**
Dividend declared	**–**	**–**	**(233,406)**	**(233,406)**
At December 31, 2013	**85,309**	**846,077**	**140,546**	**1,071,932**

(e) Capital reserve

The capital reserve represents the paid-in capital of Wison Singapore Pte. Ltd. ("Wison Singapore") at December 31, 2013. 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 for the principle of merger accounting and the capital reserve has been debited.

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32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Pre-IPO Scheme") prior to the public listing of its shares for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Scheme are the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Pre-IPO Scheme was conditionally adopted on November 30, 2012 and became effective from December 28, 2012, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Pre-IPO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of three to seven years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Pre-IPO Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average of the closing prices of the shares on the Main Board as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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32. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At January 1	**0.837**	**197,923**	–	–
Granted during the year	**–**	**–**	0.837	197,923
Forfeited during the year	**0.837**	**(6,574)**	–	–
At December 31	**0.837**	**191,349**	0.837	197,923

No shares were exercised during the years ended December 31, 2013 and 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options	**Exercise price*** HK$ per share	**Exercise period**
38,269,800	0.837	29/12/2015–28/12/2020
38,269,800	0.837	29/12/2016–28/12/2020
38,269,800	0.837	29/12/2017–28/12/2020
38,269,800	0.837	29/12/2018–28/12/2020
38,269,800	0.837	29/12/2019–28/12/2020
191,349,000		

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Year ended December 31, 2013

32. SHARE OPTION SCHEME (CONTINUED)

2012

Number of options	**Exercise price*** HK$ per share	**Exercise period**
39,584,600	0.837	29/12/2015–28/12/2020
39,584,600	0.837	29/12/2016–28/12/2020
39,584,600	0.837	29/12/2017–28/12/2020
39,584,600	0.837	29/12/2018–28/12/2020
39,584,600	0.837	29/12/2019–28/12/2020
197,923,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended December 31, 2012 was RMB376,883,000 (RMB1.904 each), of which the Group recognised a share option expense of RMB78,401,000 (2012: RMB6,908,000) during the year ended December 31, 2013.

The fair value of equity-settled share options granted during the year ended December 31, 2012 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013	2012
Dividend yield (%)	–	0.00%
Expected volatility (%)	–	44.17%
Historical volatility (%)	–	44.17%
Risk-free interest rate (%)	–	3.49%
Expected life of options (year)	–	8
Weighted average share price (RMB per share)	–	2.40

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Notes to Financial Statements

Year ended December 31, 2013

32. SHARE OPTION SCHEME (CONTINUED)

At the end of the reporting period and at the date of approval of these financial statements, the Company had 191,349,000 share options outstanding under the Pre-IPO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 191,349,000 additional ordinary shares of HK$0.1 each of the Company and additional share capital of HK$19,134,900 and share premium of HK$141,024,213 (before issue expenses).

33. RELATED PARTY TRANSACTIONS

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

	Notes	**2013 RMB'000**	2012 RMB'000
Related companies:			
Purchase of products	(a)(i)	**4,532**	179
Rental income	(a)(ii), (iii)	**5,363**	467
Rendering of services	(b)(i)	**135,870**	1,217,730
Fellow subsidiaries:			
Rental income	(a)(ii), (iii)	**486**	5,382
Rendering of services	(b)(i)	**438,901**	979,876
Rental expenses	(a)(iv)	**–**	276
Purchase of services	(b)(ii)	**–**	14,000

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 terms 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. On August 16, 2013, the annual cap of the framework agreement for the year ended December 31, 2013 and for the year ending December 31, 2014 were increased to RMB17 million and RMB18.5 million, respectively. The trade payables relating to Jiangsu Xinhua are set out in note 25.The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers.

(ii) 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"), a subsidiary of Jiangxu Xinhua, for RMB467,000 per annum for a three-year period commencing from January 1, 2011. Rental income for the year ended December 31, 2013 from Wison Telecommunication amounted to RMB467,000 (2012: RMB467,000).

On December 12, 2013, the Group and Wison Telecommunication entered into a lease agreement, under which the Group leased out office space in its office building to Wison Telecommunication for RMB730,000 per annum for a three-year period commencing from January 1, 2014.

Notes to Financial Statements

Year ended December 31, 2013

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(a) Recurring: (Continued)

(iii) During the year ended December 31, 2011, the Group and 上海澤潤生物科技有限公司 (Shanghai Zerun Biotechnology Co., Ltd. "Zerun Biotech"), a previous fellow subsidiary of the Company which became a related company of the Group in 2013, entered into two lease agreements, under which the Group leased out two office premises to Zerun Biotech at RMB4,579,000 per annum for a 30-month period commencing from July 1, 2011 and RMB317,000 per annum for a 24-month period commencing from January 1, 2012, respectively. Rental income for the year ended December 31, 2013 from Zerun Biotech amounted to RMB4,896,000 (2012: RMB4,896,000).

During the year ended December 31, 2011, the Group leased out office spaces to 惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry 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, 2013 from Wison Nantong amounted to RMB486,000 (2012: RMB486,000).

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

(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 de-registered and merged with Wison Nanjing on November 30, 2011, leased to the Group a portion of land. The lease was 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 years ended December 31, 2013 amounted to nil (2012: RMB276,000).

(v) Wison Holding, as licensor, entered into three trademark licensing agreements with the Group to grant the right to use the trademarks by the Group on a perpetual and non-exclusive basis for nominal or nil consideration during the years ended December 31, 2012 and 2013.

(vi) 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 licence to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas free of royalty fee.

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

(viii) On December 12, 2013, the Group and Wison Telecommunication, Wison Nantong and Wison (China) Investment entered into property management services agreements, for which the Group will provide property management service in relation to the premises leased to Wison Telecommunication, Wison Nantong and Wison (China) Investment for RMB132,000, RMB1,848,000 and RMB528,000 per annum, respectively, for a three-year period commencing from January 1, 2014.

In the opinion of the directors of the Company, the transactions between the Group and Zerun Biotech, Wison Telecommunication, Jiangsu Xinhua, Wison Nanjing, Wison Holding, Wison Nantong and Wison (China) Investment were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

Notes to Financial Statements

Year ended December 31, 2013

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(b) Non-recurring:

(i) 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 recognised revenue of RMB1,703,000 on this contract during the year ended December 31, 2013 (2012: RMB28,996,000). 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.

In 2012, the Group and Wison Nanjing entered into a series of service contracts for a total contract value of RMB53,730,000. The Group recognised revenue of RMB5,421,000 on these contracts during the year ended December 31, 2013 (2012: RMB45,267,000). 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.

During the year ended December 31, 2013, the Group and Wison Offshore & Marine Ltd ("Wison Marine Engineering") entered into a service contract for a total contract value of RMB3,850,000. The Group recognised revenue of RMB2,789,000 on this contract during the year ended December 31, 2013. In the opinion of the directors of the Company, the transactions between the Group and Wison Marine Engineering 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 relating to Wison Marine Engineering are set out in note 22.

During the year ended December 31, 2011, the Group and Shaanxi Changqing, in which Wison Holding has an indirect 16.35% equity interests, entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal to chemical production facilities for a contract value of RMB2,186,500,000. The Group and Shaanxi Changqing agreed to increase the contract consideration by RMB305,220,000 due to variation orders. The Group recognised revenue of RMB135,870,000 on this contract during the year ended December 31, 2013 (2012: RMB1,217,730,000). 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 contract 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. As at December 31, 2013, the contract amount is about RMB1,882,080,000. The Group recognised revenue of RMB428,988,000 during the year ended December 31, 2013 (2012: RMB905,613,000). 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 contract customer relating to Zhoushan Wison is set out in notes 21.

(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 RMB23,000,000. The Group incurred no research and development expenses on this contract to Nanjing Ruigu during the year ended December 31, 2013 (2012: RMB14,000,000). 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, 2012, the Group paid certain expenses of RMB8,693,000 on behalf of Shaanxi Changqing.

Notes to Financial Statements

Year ended December 31, 2013

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(b) Non-recurring: (Continued)

(iv) During the year ended December 31, 2013, Wison (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB450,000,000 (2012: RMB1,150,000,000) at nil consideration. As at December 31, 2013, the loans were drawn down to the extent of RMB400,000,000 (note 27).

(v) On November 30, 2012, Wison Holding and the Company entered into a domain name licence agreement (the "Domain Name Licence Agreement") in respect of the right to use the domain name "wison-engineering.com" registered under the name of Wison Holding (the "Domain Name"). Pursuant to the Domain Name Licence Agreement, Wison Holding has agreed to grant the Company, and the Company has accepted, a royalty-free licence to use the Domain Name on an exclusive basis. The Domain Name Licence 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.

(vi) 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 incurred and the portion of actual time utliised by the staff of Wison Holding for the provision of such services. During the year ended December 31, 2013, no service fee was incurred (2012: nil).

(c) Balances with related parties:

Group

	2013 **RMB'000**	2012 RMB'000
Due from a related company:		
Jiangsu Xinhua	**–**	1,022
Wison Telecommunication	**117**	–
	117	1,022
Due from a fellow subsidiary:		
Wison Nantong	**121**	–
Due from the ultimate holding company:		
Wison Holding	**87**	87
Due to a related company:		
Jiangsu Xinhua	**78**	–
Due to an associate:		
Henan Chuangsite	**630**	630

Mr. Hua Bangsong is a director and the beneficial shareholder of the Company.

Jiangsu Xinhua is the Chinese joint venture partner of Wison Engineering. Wison Telecommunication is a subsidiary of Jiangsu Xinhua.

Notes to Financial Statements

Year ended December 31, 2013

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(c) Balances with related parties: (Continued)

Group (Continued)

The balances with the ultimate holding company, fellow subsidiaries, an associate, 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, a related company and the ultimate holding company are presented on a net basis in the consolidated statements of financial position.

Company

	2013 RMB'000	2012 RMB'000
Due from a subsidiary:		
Wison Engineering Technology Limited ("Wison Technology")	**61,387**	61,474
Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)")	**897,808**	–
	959,195	61,474
Due to subsidiaries:		
Wison Engineering	**30,107**	28,051
Wison Yangzhou	**2**	2
Wison Energy (HK)	**–**	221,809
	30,109	249,862

The amounts with subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with the related parties approximate to their fair values.

(d) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**18,586**	3,072
Equity-settled share option expenses	**12,752**	66
Total compensation paid to key management personnel	**31,338**	3,138

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

Notes to Financial Statements

Year ended December 31, 2013

34. INVESTMENT IN SUBSIDIARIES

	2013 **RMB'000**	2012 RMB'000
Unlisted shares, at cost	**1**	1

Particulars of the subsidiaries are as follows:

Name	Place of business/ incorporation/ establishment	Nominal value of issued and paid-up capital	Percentage of equity interest attributable to the Group
Directly held:			
Wison Technology (a)*	British Virgin Islands	United States dollar ("US$")1	100%
Indirectly held:			
Wison Energy (HK) (b)*	Hong Kong	HK$1,000,000	100%
Wison Singapore (c)*	Singapore	Singapore dollar ("SG$") 100,000	100%
Wison Engineering (d)*	People's Republic of China ("PRC")	RMB510,000,000/ RMB351,548,800	75%
Wison Yangzhou (e)*	PRC	US$13,000,000	100%

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

(a) As at the date of approval of these financial statements, the authorised share capital of Wison Technology was US$50,000.

Wison Technology is incorporated in the British Virgin Islands as an investment holding company.

(b) As at the date of approval of these financial statements, 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 and is also engaged in import and export sales of equipment and parts.

(c) As at the date of approval of these financial statements, the registered capital of Wison Singapore has been fully paid up.

Wison Singapore was incorporated in Singapore. Wison Singapore has been dormant since incorporation.

In January 2014, the shareholder of Wison Singapore passed a special resolution to voluntarily wind up its operation.

Notes to Financial Statements

Year ended December 31, 2013

34. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) 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 Mainland China and overseas. Wison Engineering is treated as a subsidiary because the Company has unilateral control over Wison Engineering. 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.

As at the date of approval of these financial statements, the registered capital of Wison Engineering was RMB510,000,000. The remaining unpaid capital of RMB158,451,200 should be has been paid up before February 16, 2016.

(e) As at the date of approval of these financial statements, 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 December 31, 2013, 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 amount due from and to subsidiaries included in the Company's current assets and current liabilities of RMB959,195,000 (2012: RMB61,474,000) and RMB30,109,000 (2012: RMB249,862,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Notes to Financial Statements

Year ended December 31, 2013

34. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Wison Engineering:

	2013	2012
Percentage of equity interest held by non-controlling interests	25%	25%

	2013 RMB'000	2012 RMB'000
(Loss)/profit for the year allocated to non-controlling interests	(42,371)	67,511
Dividends paid to non-controlling interests of Wison Engineering	10,000	55,001
Accumulated balances of non-controlling interests at the reporting dates	86,968	151,254

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2013 RMB'000	2012 RMB'000
Revenue	3,665,305	4,867,000
Total expenses	(4,089,011)	(4,196,517)
(Loss)/profit for the year	(423,706)	670,483
Current assets	5,285,005	5,598,668
Non-current assets	1,445,341	991,843
Current liabilities	(6,431,217)	5,293,882
Non-current liabilities	(2,384)	292,577
Net cash flows from operating activities	322,117	106,546
Net cash flows used in investing activities	(481,497)	(607,704)
Net cash flows (used in)/from financing activities	(205,513)	591,850
Net (decrease)/increase in cash and cash equivalents	(364,893)	90,710

Notes to Financial Statements

Year ended December 31, 2013

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 the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**17,574**	5,678
In the second to fifth years, inclusive	**31,135**	–
	48,709	5,678

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 the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**12,386**	19,915
In the second to fifth years, inclusive	**1,172**	12,037
	13,558	31,952

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2013 **RMB'000**	2012 RMB'000
Contracted, but not provided:		
Equipment and materials	**3,312,924**	1,538,159
Land and buildings	**–**	224,753
	3,312,924	1,762,912

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Year ended December 31, 2013

37. CONTINGENT LIABILITIES

On November 20, 2008, Wison Technology entered into an agreement with Wison Energy (HK) 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 fulfil 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 Issues Regarding Corporate Income Tax Treatments for Business Reorganisation 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 "Circular No.59")and the equity transfers qualify for the special tax treatment as stipulated in 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 the special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognised by the provincial tax authority.

In 2010, the Group submitted its application for the above equity transfer transactions to qualify for the 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 of the Company, the PRC tax authorities may not accept the Group's application and the Group may fail to obtain the preferential tax treatment under Circular No.59. and this could result in additional tax to be paid.

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Year ended December 31, 2013

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

December 31, 2013

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	261,567	261,567
Financial assets included in prepayments, deposits and other receivables (note 23)	140,511	140,511
Due from a related company	117	117
Due from fellow subsidiaries	121	121
Due from the ultimate holding company	87	87
Pledged bank balances and time deposits	791,030	791,030
Unpledged cash and bank balances	293,510	293,510
	1,486,943	1,486,943

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	2,526,183	2,526,183
Financial liabilities included in other payables, advance from customers and accruals (note 26)	486,958	486,958
Due to a related company	78	78
Due to an associate	630	630
Dividends payable	272,674	272,674
Interest-bearing bank borrowings	1,553,822	1,553,822
Finance lease payables	398	398
	4,840,743	4,840,743

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Year ended December 31, 2013

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

December 31, 2012

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	161,214	161,214
Financial assets included in prepayments, deposits and other receivables (note 23)	124,562	124,562
Due from a related company	1,022	1,022
Due from the ultimate holding company	87	87
Pledged bank balances and time deposits	471,290	471,290
Unpledged cash and bank balances	1,745,951	1,745,951
	2,504,126	2,504,126

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	2,611,976	2,611,976
Financial liabilities included in other payables, advance from customers and accruals (note 26)	197,410	197,410
Due to an associate	630	630
Dividends payable	16,353	16,353
Interest-bearing bank borrowings	2,555,472	2,555,472
Finance lease payables	619	619
	5,382,460	5,382,460

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Year ended December 31, 2013

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial assets

Loans and receivables	2013 RMB'000	2012 RMB'000
Other receivables	**391**	–
Due from subsidiaries	**959,195**	61,474
Dividends receivables	**696,609**	438,609
Cash and cash equivalents	**9,496**	1,029,153
	1,665,691	1,529,236

Financial liabilities

Financial liabilities at amortised cost	2013 RMB'000	2012 RMB'000
Financial liabilities included in other payables and accruals (note 26)	**442**	8,917
Due to subsidiaries	**30,109**	249,862
Dividends, payable	**233,406**	–
	263,957	258,779

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Notes to Financial Statements

Year ended December 31, 2013

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, an amount with a related company, an amount with a fellow subsidiary and an amount due from the ultimate holding company, an amount due to an associate, interest-bearing bank and other borrowings, dividends payable and finance lease payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

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 summarised 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).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax RMB'000**
Year ended December 31, 2013		
— RMB denominated loans	**20**	**3,108**
— RMB denominated loans	**(20)**	**(3,108)**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended December 31, 2012		
— RMB denominated loans	20	(4,532)
— RMB denominated loans	(20)	4,532

Notes to Financial Statements

Year ended December 31, 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

As a result of the US$ denominated loans and foreign currency bank balances, the Group's statement of financial position 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).

	Increase/ (decrease) in US$/EUR$/ HK$/SAR$ rate	**Increase/ (decrease) in loss before tax RMB'000**
Year ended December 31, 2013	**+5%**	**(951)**
	-5%	**951**

	Increase/ (decrease) in US$/EUR$/ HK$/SAR$ rate	Increase/ (decrease) in profit before tax RMB'000
Year ended December 31, 2012	+5%	60,234
	-5%	(60,234)

(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, an amount due from the ultimate holding company, an amount due from a related company and an amount due from a fellow subsidiary 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 the guarantees which the Group has provided.

Notes to Financial Statements

Year ended December 31, 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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, dividends payable, finance lease payables, an amount due to a related company and an amount due to an associate. Cash flows are closely monitored on an ongoing basis.

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

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2013					
Interest-bearing bank and other borrowings	**–**	**711,548**	**883,152**	**–**	**1,594,700**
Trade and bills payables	**–**	**2,526,183**	**–**	**–**	**2,526,183**
Other payables and accruals	**–**	**486,958**	**–**	**–**	**486,958**
Finance lease payables	**–**	**62**	**184**	**179**	**425**
Due to a related company	**78**	**–**	**–**	**–**	**78**
Due to an associate	**630**	**–**	**–**	**–**	**630**
Dividends payable	**272,674**	**–**	**–**	**–**	**272,674**

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2012					
Interest-bearing bank and other borrowings	–	840,065	1,642,081	395,767	2,877,913
Trade and bills payables	–	2,611,976	–	–	2,611,976
Other payables and accruals	–	197,410	–	–	197,410
Finance lease payables	–	74	213	394	681
Due to an associate	630	–	–	–	630
Dividends payable	16,353	–	–	–	16,353

Notes to Financial Statements

Year ended December 31, 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings and finance lease payables. The gearing ratios as at the end of the reporting period were as follows:

	2013 **RMB'000**	2012 RMB'000
Interest-bearing bank borrowings	**1,553,822**	2,555,472
Finance lease payables	**398**	619
Total debt	**1,554,220**	2,556,091
Total equity	**1,503,179**	2,052,190
Gearing ratio	**103%**	125%

41. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 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 RMB506,000.

During the year ended December 31, 2013, the Group recorded additional property, plant and equipment of RMB18,825,000 and the corresponding amounts of decrease in long-term prepayments which did not result in any cash flows.

Notes to Financial Statements

Year ended December 31, 2013

42. EVENTS AFTER THE REPORTING PERIOD

In addition to disclosure elsewhere in the financial statements, the Group had the following events subsequent to December 31, 2013.

The Group repaid RMB40 million to ABC in February 2014 in accordance with the agreed repayment schedule with ABC. The Group has agreed a new repayment schedule with ABC for certain loans in the aggregate principal amount of RMB30 million loan with ABC fell due on 6 March 2014 whereby the repayment date of the loan has been extended for 6 months.

The Group default the repayment of bank loans of RMB250 million to CDB on December 31, 2013 and repaid RMB10 million to CDB in January 2014.

The Company learned on March 6, 2014 from a family member of Mr. Hua that Mr. Hua has been arrested by the PRC public security authority over alleged bribery activity.

In January 2014, the shareholder of Wison Singapore passed a special resolution to voluntarily wind up its operation.

On January 24, 2014, the Group and Wison Nanjing entered into a design service contract whereby Wison Nanjing engaged the Group to provide basic and detail project design for its 300kta methanol synthesis unit for a total consideration of RMB2.8 million.

On January 24, 2014, the Group and Wison Nanjing entered into five separate technology consultancy contracts, under which Wison Nanjing engaged the Group to produce a feasibility study report in relation to the relevant projects with a total consideration of RMB2.6 million.

On January 24, 2014, the Group and Wison Nanjing entered into the patent right sharing agreement pursuant to which both parties agreed to the joint ownership of the intellectual property right in the four patents with nil consideration.

On January 24, 2014, the Group and Wison Nanjing entered into the SNG cooperation agreement pursuant to which Wison Nanjing shall (1) provide the Group with the right to use the land and facilities owned by Wison Nanjing and located at the Nanjing Chemical Industrial park with a total consideration of RMB600,000; (2) provide the Group with certain gases such as hydrogen, carbon monoxide and carbon dioxide and utilities such as water and mid-pressure steam at a price which shall be either the actual costs to Wison Nanjing for such gases or utilities or the lowest price charged to other customers; and (3) second experienced staff to assist in Group's project at 1.5 times the basic salary of such staff, which after taking into account insurance, pension and other staff benefits, represent the costs to Wison Nanjing.

On March 26, 2014, the Group entered into a renewed framework agreement ("Renewed Framework Agreement") with Jiangsu Xinhua based on the framework agreement entered into between the Group and Jiangsu Xinhua on April 25, 2011 whereby the Group will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. The Renewed Framework Agreement has a term of three years from April 25, 2014 and will be renewable for another three years upon the Group giving notice in writing to Jiangsu Xinhua at least one month prior to the expiry of the original term. Under the Renewed Framework Agreement, the annual consideration payable by Wison Engineering to Jiangsu Xinhua for each of the three years ending December 31, 2014, 2015 and 2016 will be not more than RMB12.0 million.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 28, 2014.