Annual Report 2015

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. Liu Haijun *(Chief Executive Officer)*
Mr. Zhou Hongliang

Non-executive Director
Mr. Cui Ying

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
George Town
Grand Cayman KY1-1108
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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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
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKS

Agricultural Bank of China
China CITIC Bank Corporation Limited
Bank of Communications Co., Ltd.
Bank of China Limited

REGISTERED OFFICE

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75 Fort Street
P.O. Box 1350
George Town
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Financial Summary

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**5,413,531**	6,992,113	3,674,518	4,891,908	5,036,622
Gross profit	**816,880**	792,188	142,810	1,139,631	1,206,727
Profit/(Loss) before tax	**311,007**	267,430	(546,291)	699,929	795,217
Income tax	**(72,491)**	(56,736)	32,619	(165,606)	(205,504)
Profit/(Loss) for the year	**238,516**	210,694	(513,672)	534,323	589,713
Attributable to:					
Owners of the parent	**205,106**	179,038	(471,301)	466,812	518,753
Non-controlling interests	**33,410**	31,656	(42,371)	67,511	70,960
Earnings/(loss) per share					
– Basic and diluted	**RMB0.05**	RMB0.04	RMB(0.12)	RMB0.13	N/A

Financial Summary

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**1,361,318**	1,816,312	1,506,863	1,058,375	680,641
Current assets	**7,805,594**	6,923,468	5,439,034	6,610,645	3,538,712
Current liabilities	**7,014,353**	6,928,877	5,419,531	5,266,080	3,150,944
Net current assets/(liabilities)	**791,241**	(5,409)	19,503	1,344,565	387,768
Total assets less current liabilities	**2,152,559**	1,810,903	1,526,366	2,402,940	1,068,409
Non-current liabilities	**29,559**	25,548	23,187	350,750	263,986
Net assets	**2,123,000**	1,785,355	1,503,179	2,052,190	804,423
Share capital	**329,803**	329,803	329,803	324,560	1
Reserves	**1,601,163**	1,336,928	1,086,408	1,576,376	649,325
Non-controlling interests	**192,034**	118,624	86,968	151,254	155,097
Total equity	**2,123,000**	1,785,355	1,503,179	2,052,190	804,423

Business Overview

OVERALL REVIEW

In 2015, dragged by a slow recovery, the global economy was still lackluster and the economic performance varied among countries. Featured with the improved labor market condition and increasing consumption expenditure, U.S. economic recovery has been relatively steady. Although impacts of the debt crisis gradually faded in the euro zone, growth remained sluggish in this region due to deflation, unemployment, refugee issue, amongst other unfavorable factors. Japan experienced slow progress in economic recovery with weak growth prospect in general. Emerging economies on the other hand, were undermined by factors like declining commodity prices, tightened financial policy and imbalances in internal structure, leading to slowdowns in growth. Facing serious threats posed by the continued downturn in global economy and prominent imbalances in domestic economic structure, Chinese economy bore significant pressure with signs to grow at a slower pace. Year-on-year growth in China's Gross Domestic Product in 2015 stood at 6.9 per cent, lowest in the last 25 years.

With the gradual slowdown of global economic growth, oil and gas industry has reached its cyclical trough. The average future price of WTI and Brent Crude Oil in 2015 was US$48.76 and US$53.60 per barrel, respectively, with trends of further decline at the beginning of 2016. Supply significantly outstripped demand in oil and gas industry as production at oil companies kept rising. The above unfavorable conditions brought unprecedented challenges to the global energy industry. In China, chemical and related engineering industries also faced tough challenges derived from tightened financial policies, massive elimination of backward production capacity and the rising awareness of water resources and environmental protection. Competition has become increasingly fierce in engineering industry. Due to the dramatic decrease in capital expenditure of global upstream oil and gas industry, engineering and technological services market is witnessing trends of scaling-down.

In the face of the considerable uncertainty over macro condition and the slowdown in growth of investment in the industry, innovation, upgrade and transformation of energy industry have become matters of great urgency, particularly for China, a massive energy consuming country. This has raised new requirement for various enterprises along the industry chain. For Chinese engineering companies on the other hand, development opportunities brought by policies such as "the 13th Five-Year Plan" and "One Belt, One Road" should be captured, while efforts should be made in planning and strategy adjustments for expansion in new markets, so as to strive for new development and adapt to the new trends in industry.

For the year ended 31 December 2015 (the "Year under Review"), in response to internal and external challenges, Wison Engineering Services Co. Ltd. (the "Company", and together with its subsidiaries, the "Group") adhered to the development strategy of "achieving sound and continuous growth, internationalization, and leadership through differentiation". Measures were centered around the themes of "internationalization", "technological innovation", "healthy operations", "lift of overall and technological innovating capabilities" and "nurture of new business". During the Year under Review, breakthroughs were achieved again in overseas market while difficulties were overcome domestically to make strategic adjustments, consolidating existing advantages while seeking for new opportunities. Projects under construction progressed with high safety and quality standard and several domestic and overseas projects were completed and successfully commenced operation. The Group was rewarded 3 national engineering awards in the year. Through continued efforts in technology innovation, the Group was granted 8 patents and 1 copyright of software program, invented 2 proprietary technologies and filed applications for 7 patents during the Year under Review. The Group comprehensively advanced its delicate management, continuing to enhance profitability in project execution. In order to build up core competitiveness necessary for a leading international engineering company, internal capabilities have been strengthened.

During the Year under Review, the Company was designated as a constituent of the Morgan Stanley Small Cap (China) Index by Morgan Stanley Capital International ("MSCI"), which reflects the wide recognition among international capital markets of the sustained development and prospects for the Group's businesses.

On 12 November 2014, the Company issued an announcement disclosing two charges that were instigated against Wison Engineering Ltd. (惠生工程（中國）有限公司) ("Wison Engineering"), an indirect non-wholly-owned subsidiary of the Company, and Mr. Hua Bangsong ("Mr. Hua"), the controlling shareholder of the Company. A court in the People's Republic of China delivered the relevant judgments on 5 August 2015. On 14 August 2015, Wison Engineering and Mr. Hua made applications to appeal against the relevant judgments. The relevant PRC court delivered final judgments on 25 September 2015. The Board does not expect the aforesaid matters to have material adverse impact on the business operations and financial conditions of the Group (for further details, please refer to the announcements made by the Company dated 5 August 2015, 14 August 2015 and 25 September 2015). On 13 October 2015, the Company made an announcement stating that all of the bank accounts which had been frozen in connection with the aforesaid matters had been released (for further details, please refer to the announcement made by the Company dated 13 October 2015).

Business Overview

Reference is made to the announcement of the Company dated 28 April 2015 in respect of the preliminary discussion between the Company's controlling shareholder (the "Controller") with prospective investors concerning a possible sale and purchase of existing shares of the Company (a "Possible Transaction"). On 17 August 2015, the Company made an announcement stating that it had been informed by the Controller that on the same day, the negotiations in respect of the Possible Transaction had been terminated. For further details, please refer to the announcements made by the Company dated 28 April 2015 and 17 August 2015.

On 22 March 2016, Wison Engineering entered into a property sale and purchase agreement with an independent third party, pursuant to which Wison Engineering agreed to sell and such independent third party agreed to purchase the premises located at No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, the PRC, at a cash consideration of RMB390,000,000. Such property was occupied by the Group as its then headquarters before relocation of the Group's headquarters. The Directors consider that the disposal represents a good opportunity to optimize the Group's overall assets portfolio so as to enhance asset efficiency. This disposal constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For further details, please refer to the announcement made by the Company dated 22 March 2016.

FINANCIAL HIGHLIGHTS

During the Year under Review, the revenue of the Group amounted to approximately RMB5,413.5 million (2014: approximately RMB6,992.1 million). Gross profit amounted to approximately RMB816.9 million (2014: approximately RMB792.2 million). The decrease in revenue was mainly because certain major projects in 2014 had approached to completion phase during the Year under Review, which decreased the contribution to the revenue. Meanwhile, some contracted projects had not commenced during the Year under Review. The increase in gross profit was mainly because the Group fully promoted delicate management in projects, which facilitated the reduction in project cost and enhanced project profitability.

During the Year under Review, profit attributable to owners of the parent amounted to approximately RMB205.1 million (2014: approximately RMB179.0 million). Net profit further increased after the Company showed a turn from loss to profit in 2014. It was mainly due to the increase in percentage of revenue from overseas projects accompanied by recognition of exchange gain resulting from foreign exchange rate fluctuation.

In addition, the Group continued to secure new orders in all business segments from domestic and overseas markets. During the Year under Review, the Group entered into 50 engineering/engineering, procurement and construction ("EPC")/pre-project service contracts and developed 6 new customers. During the Year under Review, the new contract value of the Group, net of estimated value added tax ("VAT"), amounted to approximately RMB1,486.1 million (2014: approximately RMB6,664.8 million), of which coal-to-chemicals business, oil refinery business, petrochemicals business and other products and services accounted for 14.5%, 1.3%, 83.4% and 0.8%, respectively.

As at the end of the Year under Review, backlog value, net of estimated VAT, amounted to approximately RMB11,985.1 million (2014: approximately RMB16,134.3 million), of which coal-to-chemicals business, oil refinery business, petrochemicals business and other products and services accounted for 19.9%, 64.0%, 12.0% and 4.1%, respectively.

Business Overview

Business Review

Coal-to-chemicals

During the Year under Review, revenue from coal-to-chemicals business of the Group amounted to approximately RMB3,288.3 million (2014: approximately RMB4,337.5 million), representing a decrease of 24.2% as compared with the same period of last year. The decrease was mainly because the Group's major coal-to-chemicals projects, including Shandong Methanol-to-Olefin Project, Erdos Coal-to-Methanol Project, Shaanxi Polyethylene Plant and Public Utilities Project already completed their principal construction phase in 2014.

Backlog value as at the end of the Year under Review and new contract value for the Year under Review (both net of estimated VAT) amounted to approximately RMB2,388.0 million and RMB215.2 million, respectively (backlog value as at the end of 2014: approximately RMB5,521.2 million and new contract value for 2014: approximately RMB2,445.8 million).

Albeit enormous industry challenges, the Group still achieved remarkable results in new coal-to-chemicals during the Year under Review backed by its rich technological reserves and excellent capacity in project delivery. For instance, in respect of technological innovation and commercialization, Wison Engineering entered into a strategic cooperation agreement with Tianjin University and Guizhou Xinxin Chemical Engineering Co., Ltd. ("Guizhou Xinxin"), pursuant to which, the three parties will jointly promote the commercialization of the set techniques in syngas-to-ethylene glycol. Also under the agreement, Wison Engineering will undertake EPC project for the demonstration unit of 70 kta oxalic acid and 10 kta ethylene glycol plants. The design of such project is under smooth progress. In addition, the feasibility research of Shandong Energy Group Hulunbeier Chemical Energy Limited 400 kta coal to ethylene glycol project undertaken by Wison Engineering utilizing the aforesaid syngas-to-ethylene glycol set techniques was awarded the third class prize for "National Outstanding Consulting Achievement Award 2014" by China National Association of Engineering Consultants ("CNAEC"), validating its advanced position amongst works of similar kind in China.

As one of the core coal-to-chemicals technologies of the Group, Wison Engineering's proprietary methanol-to-olefin ("MTO") separation technology passed scientific and technological appraisal by the group of experts convened by China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) in the Year under Review. Such technology has been accredited with "advanced international standards". The technology has been applied to 8 MTO plants of various scales in China. Following the commencement of production of Wison (Nanjing) Clean Energy MTO plant in 2013 and its subsequent smooth operation, Shaanxi polyethylene plant that was EPC contracted by Wison Engineering deploying MTO separate technology of the Group successfully produced ethylene and propylene at the end of December 2014. The plant passed the performance test during the Year under Review and was awarded the "2015 National High-Quality Engineering Prize for the Chemical Industry". In addition, Shangdong 300 kta MTO plant also EPC contracted by Wison Engineering commercializing the above-mentioned technology was delivered with high standard during the Year under Review. The project was named as "Top Ten Excellent Engineering Projects in the "12th Five-Year" in Oil and Chemical Industry in China" (中國石油和化工行業"十二五"十佳工程) by the relevant industry association and media. The above achievements again fully demonstrated the EPC execution capability of the Group in coal-to-chemicals projects and the ability to commercialize its core technologies.

Erdos Coal-to-Methanol Project EPC contracted by Wison Engineering commenced its operation at the end of 2015, starting to produce qualified products. The project utilized the rectisol process technology researched and developed by Wison Engineering.

Business Overview

Oil refineries

During the Year under Review, revenue from oil refinery business of the Group amounted to approximately RMB1,540.6 million (2014: approximately RMB287.9 million), representing an increase of 435.1% as compared with the same period of last year. The increase was mainly due to the increase in revenue driven by the smooth progress of the Group's major oil refinery projects.

Backlog value as at the end of the Year under Review and new contract value for the Year under Review (both net of estimated VAT) was approximately RMB7,672.7 million and RMB19.3 million, respectively (backlog value as at the end of 2014: approximately RMB9,346.1 million and new contract value for 2014: approximately RMB3,991.8 million).

Site Preparation Project for the Puerto La Cruz Refinery Deep Conversion Project in Venezuela ("Venezuela Site Preparation Project") EPC contracted by the Group achieved smooth handover of major items during the Year under Review, marking a new milestone per project schedule, laying a solid foundation for the refinery deep conversion project followed. In addition, the Group's project team for such project was awarded "2015 Excellent Management Quality Team Award" (2015年度優秀管理質量團隊獎) by the owner and related management company, which was the first recognition from the owner for project quality management ever received by contractor.

The core process units, utility and offsite facilities of the Puerto La Cruz Refinery Deep Conversion Project in Venezuela ("HPC Project") contracted by Wison Engineering, Hyundai Engineering & Construction Co., Ltd. ("HDEC") and Hyundai Engineering Co., Ltd. ("HEC") has been progressing smoothly according to schedule.

Shandong Longgang Chemical Co., Ltd. 1,600 kta heavy oil hydrocracking project contracted by Wison Engineering has also been progressing smoothly according to schedule.

Petrochemicals

During the Year under Review, revenue from petrochemicals business of the Group amounted to approximately RMB580.4 million (2014: approximately RMB2,326.3 million), representing a decrease of 75.1% as compared with the same period of last year. The decrease was mainly because the Group's major petrochemical project, Sichuan PTA Project, already completed its principal construction phase in 2014.

Backlog value as at the end of the Year under Review and new contract value for the Year under Review (both net of estimated VAT) amounted to approximately RMB1,436.9 million and RMB1,238.7 million, respectively (backlog value as at the end of 2014: approximately RMB787.3 million and new contract value for 2014: approximately RMB226.6 million).

During the Year under Review, the Group secured an EPC contract in Abu Dhabi, marking a breakthrough for the Group in the United Arab Emirates, a core market in the Middle East, and laying a solid ground for the Group's further business expansion in the Middle East market. Moreover, further to the first two EPC contracts obtained in Saudi Arabia in the Middle East in 2012 and the first newly built cracking furnace project overseas in 2014, the Group secured another two EPC contracts in Saudi Arabia at the end of 2015, once again realizing "remarketing" in overseas market. Such projects were recently kicked off. On the domestic front, the Group signed a new EPC contract regarding two newly built cracking furnaces during the Year under Review, which further demonstrated the Company's edge in the leading field of cracking furnace.

Business Overview

Several ongoing petrochemical projects of the Group were successfully delivered during the Year under Review. A newly built cracking furnace project of the Group under an EPC contract in Saudi Arabia was delivered 10 days ahead of project schedule and has been successfully launched for operation, which demonstrated Wison Engineering's project execution capability in its dominant field of cracking furnace in overseas market. This also marked the third EPC project successfully delivered in Saudi Arabia. Another EPC project of the Group, three newly built heating furnaces for Shandong 450 kta low-carbon alkane dehydrogenation to olefins and integrated utilization unit achieved handover in the second half of 2015, constituting another EPC track record for Wison Engineering in industrial furnaces.

In addition, the engineering work for the Shandong 70 kta butene oxidization and dehydrogenation to butadiene project that first utilized Wison Engineering's proprietary butene oxidization and dehydrogenation to butadiene technology and commercialized catalyst completed during the Year under Review, and relevant procurement and construction works are being carried out as scheduled.

Other Products and Services

During the Year under Review, revenue from other products and services amounted to approximately RMB4.2 million (2014: approximately RMB40.4 million), representing a decrease of 89.6% as compared with the same period of last year. It was mainly because most of the active projects have been substantially completed in previous years, and certain other projects were still suspended during the Year under Review.

Multi-dimensional enhancement of international project execution capability, acceleration in overseas expansion

For the Year under Review, the Group's overseas revenue accounted for over 30% of total revenue for the first time. Moreover, with its outstanding operating results in overseas markets, Wison Engineering was included in the list of "Top 100 Chinese engineering companies in terms of overseas contracting revenue in 2015" ("2015年全國對外承包工程業務完成營業額前100家企業") announced by the Ministry of Commerce of the PRC. Wison Engineering was the only private enterprise among all eleven shortlisted Shanghai enterprises. The Group's capability in executing international projects has been verified by a few overseas projects under progress: The first overseas newly built cracking furnace project achieved early delivery and commencement of operation; Venezuela Site Preparation Project recorded better-than-local industry standards in health, safety and environment ("HSE") and quality management which was highly appreciated by the international owner.

Meanwhile, the Group was committed to forging its international competencies on a multi-dimensional basis. In respect of international project execution team, focus was placed on optimizing personnel structure, training and introducing talents with overseas project execution capabilities for project management, procurement and construction management, while a localized project execution and management team was being built up. Local laws and regulations were respected and efforts were made to better integrate with local cultures. The Group also expanded overseas supplier network and established strategic partnerships with some of the existing construction contractors with a database of construction subcontractors being set up. It constantly reviewed and optimized the standards and process management for international projects based on the experience from existing projects. In addition, the Group organized sharing activities for experience from completed international projects, accumulating resources and management reserves for future overseas bidding and project execution via participation in the bidding process to gain knowledge on overseas project management requirements.

Business Overview

The Group's remarkable overseas performance during the Year under Review was vital to its future comprehensive expansion of international business. Specifically, the breakthrough made by Wison Engineering in the United Arab Emirates consolidated its foothold in the Middle East market, while the two EPC contracts from Saudi Arabia marked successful fulfillment of its "remarketing" strategy. Further, the Group secured a number of feasibility study and other types of pre-project service contracts in Southeast Asia, North America and other regions, which fully demonstrated the implementation of its consultative marketing strategy in overseas markets.

In order to further improve and optimize the sales network in targeted overseas markets, the Group newly set up sales branches in North Africa and India, therefore establishing regional sales centers covering the Middle East/Africa, the Americas, Southeast Asia and South Asia during the Year under Review, with a total of 8 overseas sales offices as at the end of the Year under Review. The Group supplemented its sales forces in Asia Pacific, the Middle East and North Africa, investing more efforts in tracking and developing both existing and new customers. A pre-project team for Middle East region has been founded to respond to demands from owners in a prompt manner, supporting regional sales efforts, which has attained initial success. A working group designated for the policy of "One Belt, One Road" was formulated to capture opportunities brought by relevant government policies.

Continuous optimization of management structure, reinforcement of internal competencies

During the Year under Review, the Group further enhanced its institutional management, refining corporate governance to protect the overall interests of shareholders. In addition, the Board appointed Mr. Liu Haijun, an executive director who has over 30 years of experience in petrochemical industry, as the Group's Chief Executive Officer, and Mr. Zhou Hongliang as executive senior vice president. In order to enrich the Group's senior management, the Board also appointed Ms. Chen Huimei and Mr. Zheng Shifeng, with extensive experience in technology and project management, respectively, as senior vice presidents.

To facilitate the implementation of development strategies of the Group, expedited efforts were made in optimizing the internal management structure during the Year under Review. As a leading working power, the design center articulated relations between the Shanghai head office and regional branches in relation to resource allocation and production management, and streamlined two separate management systems for technology and administration together with a design quality accountability system that runs throughout the project lifecycle. As for domestic and overseas marketing, the Group strived to strengthen the concept of regional market development as well as sales management mechanism, making adjustments to institutional set-up and personnel structure accordingly.

Thanks to measures in recent years such as to refine sales and commercial processes, to improve business opportunity evaluation and decision-making mechanism, and to enhance capability of technical quotation, the Group's general tendering ability improved steadily. Other acts to reinforce capabilities include optimization of procurement process, strengthening of on-site inspection management to improve project profitability. The Group took various actions to intensify supervision on construction quality and progress, and carried out assessments on the qualification, credibility and quality of sub-contractors.

In terms of talent development and human resources management, the Group emphasized on leadership training and practices for middle management during the Year under Review to heighten leadership skills of managers on the forefront. The Group promoted normalization of knowledge sharing mechanism, encouraged internal talent mobility. As a key driver to boost overall executive power, corporate culture of Wison was strengthened while a great emphasis was continued to be placed on a performance-oriented culture and working mechanism.

Business Overview

Industry-leading technological achievements, constant innovation efforts leading to greater competitiveness of existing technologies

Technology innovation has always been one of the development strategies of the Group. Wison Engineering was named as "Chemical Industry Technology Innovation Demonstration Company in China" by China Petroleum and Chemical Industry Federation. This was the third consecutive time that Wison Engineering has received this honor.

Wison Engineering's proprietary MTO separation technology passed scientific and technological appraisal by the group of experts convened by China Petroleum and Chemical Industry Federation and has been accredited with advanced international standards and excellent market competitiveness. Two processes developed by Wison Engineering, the "falling-film heat-exchanger with differential absorber technology for an MTO oil absorption tower" and a "preliminary water treatment technology for bottom quench gasification technology" have been certified as proprietary technologies by the China Petroleum & Chemical Engineering Survey and Design Association. The former is applied to MTO olefin separation technology and similar light hydrocarbon separation units. It is capable of reducing investment cost and occupied area of the plant, featuring higher ethylene recovery rate and low energy consumption. The process has been deployed in Shandong MTO Project, which commenced production in the Year under Review. Its impacts on the improvement of ethylene recovery rate have been testified. The latter was successfully applied in the bottom quench gasification plant of the third phrase of coal-to-gas project of Wison (Nanjing) Clean Energy Co., Ltd. and a coal-to-syngas project in Inner Mongolia. It not only improves plant operational stability, but also reduces investment cost and occupied area of the plant. With the adoption of heat recovery technology, the heat recovery rate of overall water treatment process is increased to nearly 50%.

In respect of new technology commercialization, Wison Engineering entered into a strategic cooperation agreement with Tianjin University and Guizhou Xinxin, so as to deepen technological alliances. In addition, the first batch of Wison Engineering's proprietary catalyst successfully launched production and was utilized in the Shandong 70 kta Butene oxidization and dehydrogenation to butadiene project, which was designed by Wison Engineering.

Prominent competitive edge of innovative technologies featuring lower investment cost and energy consumption at times of low oil prices

As for R&D of new technologies, despite the short-term tumble in coal chemicals and petrochemicals resulting from the oil price slump, the Group believes that concerning the characteristics of "abundance in coal, scarcity in oil and gas" in China, new coal chemicals technologies that conform to efficient clean use of coal and low carbon emission will still prevail in energy utilization and development in a long time. As such, the Group is exerting efforts in R&D of new coal chemicals technologies featuring high efficiency and energy saving.

During the Year under Review, the first phase of pilot plant test of the syngas-to-natural gas technology jointly developed with Foster Wheeler and Clariant was completed, marking the development of a catalyst with greater efficiency and stability. In the process aspect, concentration was placed on technological coupling with gas purification unit leading to clear reductions in investment and energy consumption. Propane refining technique developed by the Group passed sidetrack test at Wison (Nanjing) Clean Energy MTO plant, proved to improve the economy of MTO plants. Meanwhile, the asymmetric heating cracking furnace may uplift the plant operational cycle by 30%.

The Group was authorized 8 new patents and attained copyright for 1 software program, invented 2 proprietary technologies with 7 patent applications filed pending for approval (5 inventions and 2 utility models) during the Year under Review.

Business Overview

Well-recognized design quality, significant advancement in engineering capacity

The quality of engineering projects delivered by the Group has been examined and attained recognition in succession during the Year under Review:

- The 40 kta synthetic base oil and 20 kta environmental solvent oil plant which were designed by Wison Engineering commenced production during the Year under Review with a leading product quality in China. The new process adopted was applied in industrial plant for the first time in China, further enriching the engineering track record of the Group in coal-to-liquid;

- The first digital factory (DF) ever delivered by Wison Engineering, Xinjiang styrene digital factory project, was rewarded the second class prize of the Best Collaborative Design Project at the first "Innovation Cup — Digital Plant (DF) Contest" held by China Petroleum & Chemical Engineering Survey and Design Association;

- Xinjiang XinLianXin Energy Chemical Co., Ltd. 280 kta Ammonia and 480 kta Urea Project designed by Wison Engineering, have yielded qualified products and achieved start-up of the whole process in one attempt. The project was another showcase of Wison Engineering in coal-to-chemicals sector and demonstrated its strong design capability in fertilizer sector.

At the end of 2015, the feasibility report produced by the Group for a coal-to-ethylene glycol project in Shandong Province was awarded the third prize for National Excellent Engineering Consultation Achievements for 2014 (2014年度全國優秀工程諮詢成果) by CNAEC, indicating its advanced position in China. Such project also adopted the aforesaid syngas-to-ethylene glycol technology jointly developed by Tianjin University and Wison Engineering.

During the Year under Review, the Group completed 32 engineering design projects including design project for Shandong Shengrong Chemical Co., Ltd. 300 kta alkane separation unit and 16 engineering design projects are in progress. The Group also completed 50 feasibility studies including that for Guizhou Haitong Energy Development 300 kta coal-to-ethylene glycol project.

Design center achieved considerable advancement in head office-branch management, technical capacity and customer service awareness, while making substantial progresses in internationalization, digitalization and modularization.

During the Year under Review, design center further optimized management, enabling sound organization structure and talent echelon with the coordinating and managing role of the head office being reinforced. A team of key talents in oil refineries was formed, and talent leverages were utilized at respective branches. This has brought clear improvement in project execution and labor efficiency. Through strengthened process management and learning from past experiences, design quality and skills have been steadily elevated with a lower-than-previous-year design modification rate and better tender accuracy. Experience accumulated over international project execution, introduction of international technicians and internal training, all contributed to the steady improvement in the ability to learn and practice international standards and engineering design for international projects. Proportion of design staff with international project execution ability reached 41% during the Year under Review.

The Group strived to gain competitive advantages with modularized delivery, in close conjunction with research on digital design, transport and construction strategies. During the Year under Review, the Group completed modular research for several petrochemicals projects, leading to modular design, transport and construction solutions, and preliminary formulation of modular design guidelines and standards.

Business Overview

During the Year under Review, digitalization has deepened its application on the domestic front, with the realization of digitalized design in newly kicked-off projects.

OUTLOOK

2016 global economy is expected to feature gentle recovery. In the light of IMF forecast, economic growth this year is expected to be 3.6%, 0.5 percentage points above last year. Yet it is unclear how severe the short to mid-term impacts brought by the slump in global oil and gas prices are and how prolonged they will be. Chinese economy has now entered into an era of new norms in the new growth gear with accelerated structural adjustment. Despite that industry is confronted with multi-challenges of securing growth, structural adjustment and risk control, positive long-run fundamentals in domestic economy remain unchanged. As "One Belt, One Road" initiative moves forward, trade and investments cooperation are deepened between China and countries along the path. Chinese companies will seize the chance to quicken the pace of setting up along the oil & gas industry chain overseas while non-state-owned enterprises are able to speed up efforts of going abroad. Reform in the PRC's oil & gas industry has transformed into a solid whole-industry-chain reform covering industries, corporate and governments against the backdrop of the elevated structural changes. Terms like "Green and environmental friendly", "energy-saving and emission-reduction", "clean and low carbon", "de-capacity" have become the key words of energy industry in 2016.

While recognizing external challenges and pursuing potential opportunities, the Group will continue to adhere to its three development strategies of "achieving sound and continuous growth, internationalization, and leadership through differentiation", adapting tactics and measures to internal and external conditions as appropriate. For the year 2016, the Group will be aiming to expedite its course of internationalization, to maintain continuous growth in regional market and client coverage, while pursuing new areas of businesses, exploring new business models. With the objective to become a highly competitive technological service provider and engineering contractor in target markets, the Group will carry out all-round optimization and adjustments from talent structure, sales and marketing, commercial tender, project execution to internal operations so as to meet the demand of the Company's internationalization development. The Group will work on strengthening internal capabilities and resource reserves, laying the key groundwork for realization of the Group's development visions via constant attention to technological research and development, engineering design, information technology and delicate management, corporate culture and the formation of talent echelon, etc.

First, lean resources to secure orders, expedite business diversification

To forge the transition of coverage strategy in domestic marketing and a market-oriented project opportunity developing mechanism, the Group will create a new sales organization structure in domestic market, promoting delayering in sales management and regional market expansion. The Group will set up eleven sales regions domestically to consolidate market foundations and to increase precision in sales efforts. At the same time, internal transfer is encouraged to mobilize and explore sales potentials while sales effort by all staff is also encouraged. Resources are to be centralized to strongly support the frontline marketing and commercial tender activities. In order to respond to customers' needs in a prompt and high-quality manner, frontline functions will be provided with sufficient assistance from technology, engineering and other supporting teams, creating favorable conditions for sustained growth in customer bases and business networks at home and abroad.

Building on consolidation of existing advantages and strengthening of traditional business, the Group will also use its best endeavor to pursue new business opportunities and breakthrough. It will conduct study on market access opportunities for certain emerging concepts and pay close attention to the opportunities arising from the integration of clean energy, new energy, environmental protection, energy saving and emission reduction technologies by leveraging on its technological reserves.

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Second, refine global sales layout, comprehensively lift internationalized ability

Adding to existing overseas sales outlets, at the beginning of 2016, the Group opened a new sales outlet in Russia to serve the Central Asia region. It has also established marketing outlets in Pakistan and West Africa with another country office in the Middle East to accelerate overseas expansion and extension of geographical coverage. In 2016, the Group will ensure the smooth execution and delivery quality of ongoing projects in the existing markets of Middle East GCC and South America to consolidate existing client relationships while digging deep into the markets, achieving breakthroughs in new client development in peripheral markets. The Group will strive in the new regional markets including North America and countries along the path of "One Belt, One Road". Specific strategies will be designed in accordance with local conditions in target markets and expansion in the Group's international market territory is to be realized through strategies such as "remarketing", "multi-dimensional marketing", "mutual complementation and cooperation", "financing solutions" and "promotion of proprietary technologies".

While refining marketing layout in key regions, the Group will continue to nurture and introduce qualified overseas sales personnel, optimizing international sales and marketing force. In order to further enhance the success rate of tendering for international projects, the Group will allocate the best resources to tendering efforts, shaping the ability of quick response to quotation and pre-project requests from clients.

The Group will keep working on overseas project execution and other capabilities for internationalization. Combining internal training with external recruitment, the Group will continue to increase the proportion of talents with international capabilities especially for key project execution positions. Localization in overseas project execution force, procurement and construction resources will be pushed forward and existing success experience from overseas projects will be extended. The Group aims to expand its overseas procurement networks, realizing electronic management platform for international tendering and quotation and solidifying the long-term strategic partnerships with overseas construction subcontractors. Furthermore, the design center strives to bring its management, delivery method and system standards in line with international practice, reforming its current organization structure, aiming at more than half of the staff possessing international design capabilities, all of which would contribute to the build-up of core competitiveness featured an international engineering company.

Third, fully implement delicate management, consolidate and refine core capabilities

Ensuring delivery quality, optimizing project management and enhancing profitability have always been the top priorities of the Group's operational management. In particular, in face of external challenges such as sluggish global economic growth and cyclical fluctuation of energy industry, effective project risk management and cost control are critical for maintaining existing market share and reforms and transformations. To better cope with increasing burden in overseas project execution, the Group will further refine its corporate operational management and project cost control, and strictly implement a performance-based appraisal mechanism. The Group will enhance its pre-project planning capabilities, introducing design optimization practice throughout project lifecycle. To ensure successful project delivery, the Group will refine its procurement process and internal control management, fully capitalize the application of information integration and project management platform that are guided by projects, and also reinforce project risk control throughout the whole lifecycle. Efficiency and benefits come from the processes of design, procurement and project management.

The Group will stick to the strategies of "internationalization", "digitalization", and "modularization" in upgrading its design capabilities. While supporting the international development of the Company, design head office will act as a managing center to effectively coordinate resource allocation at regional level as well as to collaborate with procurement

Business Overview

and construction functions. Under the coordinated management of head office, regional design offices will be able to create respective business features. Specialty structure at design center will be optimized to adapt to international conventions in project execution. For modularized and digitalized design, cooperative design among various specialties and full modeling will be achieved, realizing design modularization and digitalization, promoting reforms in design patterns through digitalization. Continued focus will be placed on technology reserves and compilation of process package to push forward the engineering and commercial development of technologies.

As for R&D and promotion of technology, the Group will drive the R&D of new technologies at various stages. While putting great emphasis on the commercialization of R&D achievements, to enlarge market share, in area of energy utilization, the Group will deepen its partnerships with first-class technology companies and research institutions domestically and overseas as well as pursue new partners and new areas of cooperation, so that technology acquisition and commercialization would bring about business development and diversification. The Group will exert greater efforts in the research of new coal-to-chemical technologies, chemicals, utilization of natural gas and carbon emission reduction, etc., expanding scope of new technology research. The Group aims to strengthen its differentiated competitive strength of technical solutions by close integration with engineering design, refined processes, energy saving and consumption reduction, amongst other local innovative solutions.

Management informationization plays a key part in the Group's internationalization, effective project execution and internal operational management. Future informationization development of the Group will be guided with "internationalization, information integration and technological improvement", so as to assure the effective use of labor, financial assets and property and delicate control centered around project delivery. Meanwhile, information technology will collaborate with business functions to achieve whole cycle "digital" plant management and delivery, further augmenting its competitive edges.

Bearing in mind the objectives of "internationalization and breaking into new business", the Group will optimize its organizational capacity and talent force to build up teams with enhanced leadership and cohesion, facilitating reform and transition of the Company. The Group will intensify the promotion and implementation of corporate culture that is compatible with new era of development, implement performance-oriented assessment and incentive system, and step firm on an assessment and accountability system based on project performance for project managers.

2016 will be a challenging year not only for energy and chemicals industry but also for the Group. Nevertheless, it will mark a new starting point with opportunities for the Group. In face of the unfavorable market environment, the Group will uphold its faith, adjust itself and initiate changes to adapt to new fierce market competition and development trends. Grounded by the consolidation and strengthening of its core competitiveness in traditional fields, the Group strives to achieve breakthroughs in new markets and businesses. In anticipation of the 20th anniversary of Wison Engineering in 2017, the Company will be committed to delivering satisfactory results to the shareholders with revenue growth from diversified markets, greater efficiency from delicate management and vibrancy from innovation and reforms.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the comprehensive revenue of the Group amounted to RMB5,413.5 million, representing a decrease of RMB1,578.6 million, or 22.6%, from RMB6,992.1 million in the previous year. Details of comprehensive revenue breakdown by business segments are set out below:

RMB'000

Business segment	2015	2014	Change	Change %
Petrochemicals	**580,403**	2,326,346	-1,745,943	-75.1%
Oil refineries	**1,540,567**	287,931	1,252,636	435.0%
Coal-to-chemicals	**3,288,322**	4,337,473	-1,049,151	-24.2%
Other products and services	**4,239**	40,363	-36,124	-89.5%
	5,413,531	6,992,113	-1,578,582	-22.6%

In petrochemicals, revenue decreased by RMB1,745.9 million, or 75.1%, from RMB2,326.3 million for the year ended 31 December 2014 to RMB580.4 million for the year ended 31 December 2015. The decrease was mainly because the Group's major petrochemical project, Sichuan PTA Project, already completed its principal construction phase in 2014.

In oil refineries, revenue increased by RMB1,252.7 million, or 435.0%, from RMB287.9 million for the year ended 31 December 2014 to RMB1,540.6 million for the year ended 31 December 2015. The increase was mainly due to the increase in revenue driven by the smooth progress of the Group's major oil refinery projects.

Management Discussion and Analysis

In coal-to-chemicals, revenue decreased by RMB1,049.2 million, or 24.2%, from RMB4,337.5 million for the year ended 31 December 2014 to RMB3,288.3 million for the year ended 31 December 2015. The decrease was mainly because the Group's major coal-to-chemicals projects, including Shandong Methanol-to-Olefin Project, Erdos Coal-to-Methanol Project, Shaanxi Polyethylene Plant and Public Utilities Project already completed their principal construction phase in 2014.

In other products and services, revenue decreased by RMB36.2 million, or 89.6%, from RMB40.4 million for the year ended 31 December 2014 to RMB4.2 million for the year ended 31 December 2015. The decrease was mainly because most of the active projects have been substantially completed in previous years, and certain other projects were still suspended during the Year under Review.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by RMB24.7 million, or 3.1%, from RMB792.2 million for the year ended 31 December 2014 to RMB816.9 million for the year ended 31 December 2015.

The gross profit margins of the Group for the years ended 31 December 2014 and 2015 were 11.3% and 15.1%, respectively. For the year ended 31 December 2014, the gross profit margins for petrochemicals, oil refineries, coal-to-chemicals and other products and services business segments were 4.8%, 20.8%, 13.8% and 57.4%, respectively, while the gross profit margins for the year ended 31 December 2015 were 9.8%, 15.4%, 16.0% and -68.6%, respectively.

The increase in the gross profit margin in petrochemicals was mainly because a substantial part of revenue recognised in the previous year was generated by certain project contracts which had lower overall gross profit margins and, as such projects had largely been completed in 2014, their impact on the gross profit margins of the Group in 2015 was much smaller.

The decrease in the gross profit margin in oil refineries was mainly due to the increase in percentage of revenue from certain projects which had lower gross profit margin.

The increase in the gross profit margin in coal-to-chemicals was mainly because the Group fully promoted delicate management in projects, which facilitated the reduction in project cost and enhanced project profitability.

Management Discussion and Analysis

The decrease in gross profit margin in other products and services was mainly because certain projects of the Group came to an end and incurred some miscellaneous cost.

Other Income and gains

Other income and gains increased by RMB261.3 million, or 103.5%, from RMB252.5 million for the year ended 31 December 2014 to RMB513.8 million for the year ended 31 December 2015. Interest income increased by RMB178.3 million, rental income increased by RMB21.4 million, foreign exchange gains increased by RMB59.2 million. The significant increase in interest income was attributed to the interest income from the financing arrangement for certain project, which was recognized according to the relevant accounting standards. The increase in foreign exchange gains was mainly due to the increase in percentage of revenue from overseas projects.

Selling and Marketing Expenses

Selling and marketing expenses increased by RMB11.2 million, or 24.9%, from RMB44.9 million for the year ended 31 December 2014 to RMB56.1 million for the year ended 31 December 2015. We had an increase in travelling and employee expenses primarily due to an increase in business development activities.

Administrative Expenses

Administrative expenses increased by RMB33.0 million, or 12.9%, from RMB254.9 million for the year ended 31 December 2014 to RMB287.9 million for the year ended 31 December 2015. The increase was primarily due to the increase in employees' expenses.

Other Expenses

Other expenses increased by RMB48.4 million, or 23.5%, from RMB205.9 million for the year ended 31 December 2014 to RMB254.3 million for the year ended 31 December 2015. This increase was primarily due to the recognition of a fine imposed to a PRC domestic subsidiary of the Group by a court in China.

Finance Costs

Finance costs increased by RMB150.7 million, or 55.6%, from RMB271.2 million for the year ended 31 December 2014 to RMB421.9 million for the year ended 31 December 2015. Interest on bank loans decreased by RMB33.0 million and interest on discounted bills increased by RMB183.8 million. The decrease in interest on bank loans was primarily due to the decrease in our average bank borrowings for the year ended 31 December 2015 compared with the year ended 31 December 2014. The increase in interest on discounted bills was mainly due to the financing arrangement for certain project.

Income Tax

Income tax increased by RMB15.8 million or 27.9%, from RMB56.7 million for the year ended 31 December 2014 to RMB72.5 million for the year ended 31 December 2015. The increase was primarily due to the increase in taxable income for the year ended 31 December 2015.

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Profit for the year

Profit for the year increased by RMB27.8 million, or 13.2%, from RMB210.7 million for the year ended 31 December 2014 to RMB238.5 million for the year ended 31 December 2015. Our net profit margin was 3.0% for the year ended 31 December 2014 and increased to 4.4% for the year ended 31 December 2015. The increase in our profit for the year and net profit margin were mainly due to the increase in percentage of revenue from overseas projects accompanied by recognition of exchange gain resulting from foreign exchange rate fluctuation.

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.

As at 31 December 2015 and 2014, the Group had trade and bills receivables of RMB311,209,000 and RMB1,015,257,000, respectively. For details please refer to note 21 to the financial statements.

The Company has been actively communicating with the relevant project owners with a view to formulating plans for their prompt settlement of the overdue receivables. The Group has maintained a favourable long-term business relationship with these project owners and the negotiations between the Company and the project owners are satisfactory.

It is a characteristic of the industry in which the Group operates that a significant proportion of revenue derives from a limited number of clients in a given period of time. Given the nature of the industry, the Group generally has a relatively limited client base. If the Group fails to complete the construction work of major projects or if the projects with the Group's major clients are terminated before completion, the Group's business, results of operations and financial condition may be adversely affected. In order to further diversify the Group's sources of revenue and reduce the Group's reliance on major clients, the Company will continue to carry out various measures to cover more mid- to large-size petrochemical producers, expand the Group's business in the oil refineries and coal-to-chemicals business segments and expand into the international markets.

Financial Resources, Liquidity and Capital Structure

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

Management Discussion and Analysis

As at 31 December 2015, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at 31 December	
	2015	2014
	(Million)	
Hong Kong Dollar	**10.8**	2.7
US Dollar	**350.0**	76.2
Renminbi	**204.1**	357.7
Saudi Riyal	**11.1**	5.9
Euro	**–**	0.7
Indonesian Rupiah	**189.0**	386.9
Venezuelan Bolivar	**226.3**	5.9
UAE Dirham	**0.1**	–

Interest-bearing bank and other borrowings of the Group as at 31 December 2015 and 2014 were set out in the table follow. The short-term bank borrowings of the Group accounted for 100% of the total bank borrowings (2014: 100%).

	As at 31 December	
	2015	2014
	(RMB million)	
Current		
Bank loans repayable within one year		
— secured	**230.0**	539.8
Finance lease payables	**0.1**	0.1
	230.1	539.9
Non-current		
Finance lease payables	**–**	0.1
	–	0.1
	230.1	540.0

Management Discussion and Analysis

Bank borrowings were denominated in RMB at 31 December 2014 and 2015. At 31 December 2015, bank borrowings amounting to RMB230,000,000 (2014: RMB319,992,000) bore interest at fixed rates.

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

Year ended 31 December 2014	5.70% to 7.80%
Year ended 31 December 2015	4.83% to 7.56%

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2015 and 2014, 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
31 December 2015					
Interest-bearing bank and other borrowings	**–**	**3.5**	**234.5**	**–**	**238.0**
Finance lease payables	**–**	**0.1**	**–**	**–**	**0.1**
31 December 2014					
Interest-bearing bank and other borrowings	–	9.1	553.3	–	562.4
Finance lease payables	–	–	0.1	0.1	0.2

As at 31 December 2015, the gearing ratio of the Group, which was derived by dividing total debt by total equity, was 0.1x (2014: 0.3x). The ratio of total borrowings to total assets was 2.5% (2014: 6.2%).

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 RMB6.7 million (2014: RMB8.9 million).

Foreign Exchange Risk Control

The business transactions of the Group are mainly settled in Renminbi and US dollars. The Group is exposed to currency risks in relation to the bank balances denominated in currency other than the functional currencies of the relevant entities. 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.

Assets Classified as Held for Sale

As at 31 December 2015, the Group wholly-owned the premises located at No. 1399 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, the PRC. Before the relocation of the headquarters of the Group, such premises were occupied by the Group as its then headquarters. After completion of the relocation, apart from an insignificant portion of the premises which have been leased out, the premises have been vacant. The premises were reclassified as current assets held for sale in the second half of 2015. Before such reclassification, the premises were classified as non-current assets.

The premises comprise a parcel of land with a site area of approximately 20,000 square metres, eight buildings and various ancillary structures erected thereon. The premises have a total gross floor area of approximately 25,689.68 square metres. The land use rights of the premises were granted for a term of 50 years commencing from 10 July 2002 and expiring on 9 July 2052.

On 22 March 2016, Wison Engineering entered into a property sale and purchase agreement with an independent third party for the disposal of these premises at a cash consideration of RMB390,000,000, which constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the Business Overview section of this report.

Asset Security

As at 31 December 2015, property, plant and equipment with carrying amount of RMB14.7 million and investment properties with carrying amounts of RMB13.6 million were pledged as security for bank facilities of the 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 31 December 2011 accordingly. The provision was based on a valuation of Wison Yangzhou and Wison Engineering performed by a PRC valuer.

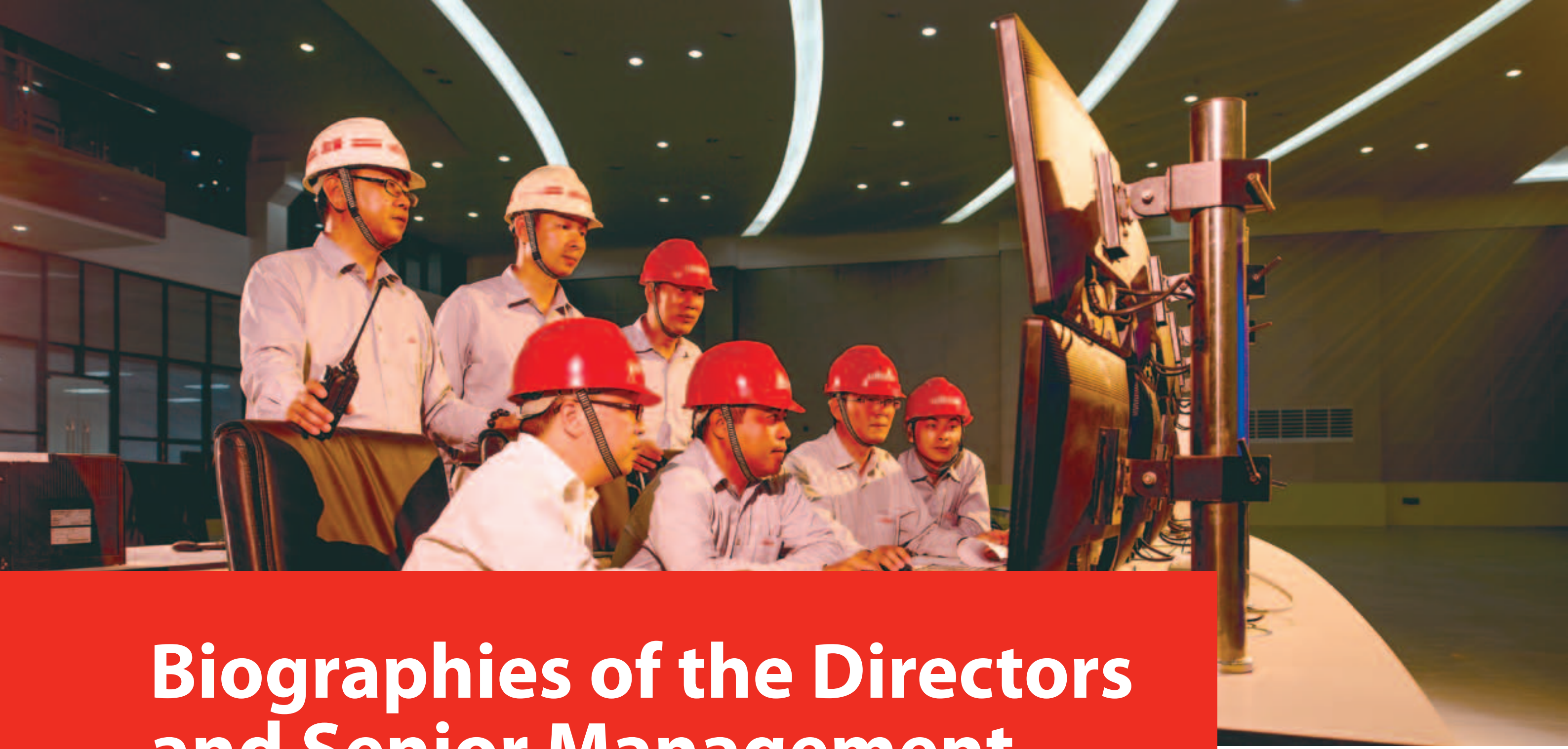
Except for the contingent liabilities as stated above, the Group had no other contingent liabilities as at 31 December 2015.

Management Discussion and Analysis

Human Resources

As at 31 December 2015, the Group had 1,457 employees (31 December 2014: 1,572 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 31 December 2015, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB652.5 million (during the year ended 31 December 2014: RMB673.8 million).

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



Biographies of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liu Haijun (劉海軍), aged 51, is an executive Director of our Company and the Chief Executive Officer of our Group. Mr. Liu is also a director and the chief executive officer of Wison Engineering Ltd. ("Wison Engineering"). Mr. Liu is responsible for the overall management of the daily operations of our Group and oversees the president's office, commercial department, technical quality and safety department, human resources department, finance department and financial analysis department. Mr. Liu is also a director of Wison Engineering Investment Limited, an immediate holding company of the Company. Mr. Liu graduated from Shandong Chemical School (山東省化工學校) in 1984, majoring in organic chemical processing and the University of Petroleum (石油大學) in 1991, majoring in petrochemical. In 2010, Mr. Liu obtained his executive MBA from China Europe International Business School (中歐國際工商學院). 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, the vice general manager of the Engineering Business Department, the deputy general manager, the chief operating officer and the senior vice president of Wison Engineering. Mr. Liu was appointed as our Director on 18 May 2011 and the Chief Executive Officer of our Group on 30 October 2015. He has 31 years' experience in the petrochemicals industry. Prior to his appointment as the Chief Executive Officer of our Group, Mr. Liu was a senior vice president of our Group.

Biographies of the Directors and Senior Management

Mr. Zhou Hongliang (周宏亮), aged 46, is an executive senior vice president of our Group and was appointed as an executive Director of our Company on 10 September 2013, and is mainly responsible for overseeing the expansion of domestic business, marketing and administrative management of our Company, and supervises the marketing and administration 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 received his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2014. He obtained the qualification of constructor from the Ministry of Construction of the People's Republic of China (中華人民共和國建設部) in 2006. He was responsible for project management in Sinopec Ningbo Engineering Co., Ltd. from 1991 to 2002. From 2002 to 2004, Mr. Zhou worked as a deputy manager in the Ethylene Project Team in Shanghai SECCO Petrochemical Company Limited (上海賽科石油化工有限責任公司). Mr. Zhou joined our Group in January 2005 as a manager of the construction management department of Wison Engineering and was appointed as the deputy general manager of Wison Engineering in January 2008. He has 23 years' experience in the petrochemicals industry.

NON-EXECUTIVE DIRECTOR

Mr. Cui Ying (崔穎), aged 43, has been an executive Director of our Company since September 2013 before his re-designation as a non-executive Director of our Company from 30 October 2015. Prior to his re-designation, Mr. Cui was a senior vice president of our Group and was mainly responsible for supervising our Group's human resources, investor relations management and finance affairs, and overseeing the human resources, finance and financial analysis departments. Upon the re-designation of Mr. Cui as a non-executive Director of our Company, Mr. Cui ceased to be a senior vice president of our Group and ceased to perform any executive functions in our Group. Mr. Cui is also a director of Wison Group Holding Limited and Wison Engineering Investment Limited, an ultimate holding company and an immediate holding company of our Company respectively. He graduated from Shanghai Railway University (上海鐵道大學) with a bachelor's degree in telecommunications engineering in 1994 and completed a master's degree in telecommunications signal processing from Shanghai Railway University (上海鐵道大學), (which subsequently merged with Tongji University (同濟大學)) in 1997. He completed an executive master of business administration degree in the Olin Business School of Washington University in St. Louis and the Advanced Management Program (AMP) at Harvard Business School. 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 senior marketing manager at China Netcom (中國網通). From 2005 to 2009, he was appointed by IBM Global Business Consulting Services as a managing consultant. Mr. Cui joined our Group as director of sales and marketing in July 2009.

Biographies of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Lee (李磊), aged 51, joined our Company as an independent non-executive Director on 30 March 2015. Mr. Lee was an executive director of Kasen International Holdings Limited (卡森國際控股有限公司) (a company listed on the The Stock Exchange of Hong Kong Limited ("Stock Exchange")) from August 2014 to November 2015. Mr. Lee currently works as independent advisors to several companies in China on corporate finance and strategy. During his career of over 21 years, Mr. Lee also held several senior finance positions, serving as the Chief Financial Officer at Synutra International, Inc., (a company listed on NASDAQ), from October 2007 to October 2009; as a vice president and the Chief Financial Officer of Kasen International Holdings Limited (卡森國際控股有限公司) (a company listed on the Stock Exchange) from August 2004 to September 2007; as the Chief Financial Officer of Eagle Brand Holdings Limited (a company listed on the Singapore Stock Exchange), from July 2001 to April 2004; and as a financial controller at the Korean division of Exel Plc of the United Kingdom from January 1999 to July 2001. Mr. Lee received a bachelor's degree in management and engineering from the Beijing Institute of Technology in 1984. Mr. Lee also obtained a master's degree in economics from the Renmin University of China in 1987 and a master's degree in accounting and finance from the London School of Economics and Political Science in 1992. He is also a fellow member of the Association of Chartered Certified Accountants.

Mr. Tang Shisheng (湯世生), aged 59, joined our Company as an independent non-executive Director on 7 December 2015. Mr. Tang, PhD in economics, is a senior economist. Mr. Tang was admitted to Hunan College of Finance and Economics in September 1978 and became a teacher in the college after graduation in August 1981. From August 1988 to July 1994, Mr. Tang served successively as deputy general manager of the international business department of Hainan branch and branch president of Yangpu branch of the Hainan Province of China Construction Bank. From July 1994 to February 1997, Mr. Tang served successively as person in charge of preparation team and vice president of China International Capital Corporation Limited (中國國際金融有限公司) (now known as China International Capital Corporation Limited (中國國際金融股份有限公司)). From February 1997 to September 2009, Mr. Tang served successively as vice president of China Cinda Trust Investment Company (中國信達信託投資公司), vice president of China Galaxy Securities Limited Liability Company (中國銀河證券有限責任公司) (now known as China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司)), chairman of Hong Yuan Securities Co., Ltd. (a company listed on Shenzhen Stock Exchange, Stock Code: 000562). Mr. Tang acted as senior vice president of Peking University Founder Group Co., Ltd. from September 2009 to June 2012; as chairman of Founder Capital Holdings Limited from October 2010 to June 2012. Mr. Tang served as supervisor of Hodojou Technology Co., Ltd. (華多九州科技股份有限公司), formerly known as Beijing HODOJOU Technology Co., Ltd (北京華多九州科技有限公司) (a company listed on

Biographies of the Directors and Senior Management

National Equities Exchange and Quotations, Stock Code: 834567) from March 2012 until he was appointed as chairman in January 2014, and was the chairman of Beijing Sinosoft Co., Ltd. (北京中科軟件有限公司) from June 2013 to March 2015. Since March 2015, Mr. Tang has been an executive director of Beijing Sinosoft Co., Ltd. Meanwhile, Mr. Tang has been an independent director of Hunan TV & Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 000917) since February 2010; independent director of Wison (Nanjing) Clean Energy Co., Ltd. (which ceased to be a fellow subsidiary of the Company since August 2015) from December 2010 to July 2015; independent director of China CITIC Bank International Limited (中信銀行(國際)有限公司) since November 2013; and independent director of Geo-Jade Petroleum Corporation (洲際油氣股份有限公司) (formerly known as Hainan Zhenghe Industrial Group Co., Ltd. (海南正和實業集團股份有限公司), a company listed on Shanghai Stock Exchange, Stock Code: 600759) since December 2013. Mr. Tang is an independent director candidate of The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited, Stock Code: 1339), which appointment shall take effect upon the approval of his director qualification by the China Insurance Regulatory Commission.

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

Mr. Feng Guohua (馮國華), aged 47, joined our Company as an independent non-executive Director on 28 December 2015. Mr. Feng has more than 20 years of experience in information technology and management consulting service. Mr. Feng has extensive international exposure and experience in providing consulting services to multinational companies, state-owned enterprises and privately-owned enterprises. Mr. Feng is currently a senior vice president of Hanergy Holding Group and the president of Hanergy Global Solar PV Solutions Group and before taking up these positions in June 2015, Mr. Feng was a vice president and the managing partner at IBM Strategic Service and Global Business Consulting Services from December 2012 to May 2015. From March 2012 to December 2012, Mr. Feng was a global vice president at Hewlett-Packard. From January 2011 to February 2012, Mr. Feng served as president of Kingdee International Software Group Company Limited (a company listed on the Stock Exchange, Stock Code: 00268) ("Kingdee International"), and chief executive officer of Kingdee Software (China) Co., Ltd., a wholly-owned subsidiary of Kingdee International. He also served as an executive director of Kingdee International from 15 March 2011 to 2 February 2012. From November 2002 to January 2011, Mr. Feng worked at IBM Global Business Consulting Services, Greater China Group and served successively as associate partner, partner and managing partner. Before Mr. Feng joined IBM in November 2002, Mr. Feng was a director at PricewaterhouseCoopers Consultants (Shanghai) Ltd. from May 2002 to October 2002, a senior manager at Arthur Andersen (Shanghai) Business Consulting Co., Ltd. from November 2000 to April 2002 and a senior consultant and a consultant manager at Siemens Business Service from January 1996 to November 2000.

Mr. Feng graduated from the University of Science and Technology of China in 1990 with a bachelor's degree majoring in economic management and minoring in computer application software. Mr. Feng also completed the Advanced Management Program of Harvard Business School in 2009.

Biographies of the Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chen Huimei (陳惠梅), aged 48, is a senior vice president of our Group. She is responsible for the technology and design management of Wison Engineering and is also responsible for overseeing the design centre, technology development centre, Information Department and Furnace Department. 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 Petrochina Lanzhou Petrochemical Company (中石油蘭州石化工程公司) as project manager, project director and the manager of technology management. 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 25 years' experience in the petrochemicals industry. She obtained an EMBA degree from the Chinese University of Hong Kong in 2015.

Mr. Zheng Shifeng (鄭世鋒), aged 49, is a senior vice president of our Group. He is responsible for the operation management of the Company's domestic and overseas projects and is also responsible for supervising the Procurement Department, Construction Management Department and Project Management Department. 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 also holds an EMBA degree from China Europe International Business School (中歐國際工商學院). From 1996 to 2004, he worked as a project manager in the engineering department of Sinopec Qilu Petrochemical Corporation. Mr. Zheng joined our Group in 2004 and has successively served as the deputy manager and the general manager of the Project Management Department as well as the vice president of our Group. Mr. Zheng has 26 years' experience in the petrochemicals industry.

Ms. Xu Tan (徐坦), aged 46, is a vice president of our Group and is responsible for overseeing the marketing activities in Russia and Central Asian region and the expansion of international business in relation to the "One Belt, One Road" policy. Ms. Xu is a registered accountant and a senior economist in the PRC. 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), aged 55, is a vice president of our Group, and is responsible for the information technology of our Company and is also responsible for assisting in the management of the operations of the information department. He graduated from Zhengzhou Institute of Technology (鄭州工學院) in 1983. From 1983 to 2006, he engaged in petrochemical design in Qilu Petrochemical Design Institute (齊魯石油化工設計院) and served as a deputy general manager. 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 National 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 30 years' experience in the petrochemicals industry.

Biographies of the Directors and Senior Management

Mr. Yang Zhimin (楊志敏), aged 57, is a vice president of our Group and a general manager of Henan branch of Wison Engineering. He is mainly responsible for overseeing business qualifications management, the management of external industrial associations and management of the Henan branch office and design center in Henan. 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 31 years of experience in chemical design and management. He successively served as the dean, party secretary and chairman of the board of directors. 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 also obtained "Cross-century Pioneer in academics and technology (跨世紀學術和技術帶頭人)" of Henan Province in 1999, "Expert in special allowance (特殊津貼專家)" by the State Council of the People's Republic of China (中華人民共和國國務院) in 2002 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 was also a senior engineer of professor level, State-registered consultant engineer and State-registered mechanical engineer. 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), aged 50, is a vice president of the Group and the general manager of the Marketing Department of Wison Engineering and is responsible for domestic marketing and business expansion. 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 26 years' experience in the petrochemicals industry.

Mr. Sun Xiaoguang (孫曉光), aged 55, is a vice president of our Group. He is responsible for overseeing the execution of domestic projects. 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 PetroChina Daqing Refining & Petrochemical Company. He joined our Group in 2004 as project manager in Wison Engineering. Mr. Sun has 32 years' experience in the petrochemicals industry.

Mr. Yang Dechang (楊德昌), aged 51, is a vice president of our Group and is responsible for overseeing expansion of international business in African region. 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 People's Republic of China (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 People's Republic of China. He obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. 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, manager in Commercial Division and manager in Procurement Division. Mr. Yang has 31 years' experience in the petrochemicals industry. He obtained an EMBA degree from China Europe International Business School (中歐國際工商學院) in 2015.

Biographies of the Directors and Senior Management

Mr. Li Yansheng (李延生), aged 51, is a vice president of our Group, the chief scientist of Wison Engineering and the chief technology officer of the 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 Institute of Chemical Technology (青島化工學院) with a bachelor's degree in organic chemical engineering. Mr. Li also obtained a certificate in business administration (MBA core course) from Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in 2006. Mr. Li then obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in 2010. Prior to joining our Group, Mr. Li worked at Shandong Qilu Petrochemical Engineering Co. Ltd as vice chief engineer from 1987 to 2004. Mr. Li joined our Group in 2004 and worked at the technical department of Wison Engineering. He then worked in the design management department and technical management department of Wison Engineering as a manager and vice chief engineer in 2005 and 2006, respectively. Since 2008, Mr. Li has been working at Wison Engineering as an assistant to general manager and technical director. Mr. Li also received various awards such as First-class Technical Progress Award (科技進步一等獎) from All-China Federation of Industry & Commerce (中華全國工商業聯合會) and the nationwide outstanding chemical engineering worker (全國化工優秀科技工作者) from China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) in 2010. He earned the title as a master of exploration design in the petroleum industry of the PRC in 2013.

Mr. Dong Hua (董華), aged 49, is a senior vice president of our Group. He is mainly responsible for supervising overseas marketing, assisting execution of overseas projects and overseeing international business of Wison Engineering and is also responsible for supervising the overseas regional sales and overseas branches. Mr. Dong graduated from Lanzhou Petroleum College (蘭州石油學校) with a major in chemical equipment 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). Mr. Dong obtained an EMBA from The Hong Kong University of Science and Technology. Mr. Dong has 27 years' experience in the petrochemicals industry.

Mr. Li Baoyou (李保有), aged 51, is a vice president of our Group and the 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 Institute of Chemical Technology (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 28 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, aged 49, 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 17 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 namely 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 27 July 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.

Mr. Fan Weijie (范慰頡), aged 52, is a vice president of our Group. Mr. Fan is mainly responsible for assisting the supervision of domestic marketing and advisory affairs in the preliminary stage of the projects. He obtained a profession qualification of architecture general arrangement drawing and logistics (總圖運輸專業) from Xi'an Institute of Metallurgy and Construction Engineering (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 advisory department in 2011. Mr. Fan has 30 years' experience in the petrochemicals industry.

Mr. Hua Lingsu (華令蘇), aged 50, is a vice president of our Group. He is the general manager of the Procurement Division and a representative of the quality management system, HSE management system and information security management system of Wison Engineering. Mr. Hua graduated from East China University of Science & Technology (華東理工大學) (formerly known as East China Institute of Chemical Technology (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 Shandong 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 and procurement of Wison Engineering. Mr. Hua has 28 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 31 December 2015.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

The Group's business, financial condition or results of operation may be affected by a number of risks and uncertainties. Description of the principal risks and uncertainties facing the Group can be found in the Business Overview section and Note 41 to the financial statements.

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

With respect to the compliance with laws and regulations, the Group proactively keeps itself abreast of regulatory updates. After the promulgation of the revised Environmental Protection Law of the PRC, the Group organized an educational and online quiz event for all employees in 2015. Apart from the above, details of the Group's compliance with relevant laws and regulations which have a significant impact on the Group are also provided in the Business Overview, Management Discussion and Analysis and Corporate Governance Report sections of this report.

These review and discussion form part of this Report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate purchases of raw materials attributable to the Group's five largest suppliers accounted for approximately 40.8% of the Group's total purchases. Our purchases attributable to the single largest supplier accounted for approximately 23.4% of the Group's total purchases for the same period.

Report of the Directors

For the year ended 31 December 2015, our five largest clients accounted for approximately 95.3% of our total revenue. Our revenue derived from the single largest client for the same period accounted for approximately 57.5% of our total revenue.

None of our Directors, any of their close associates or any shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers or clients during the year ended 31 December 2015.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associate as at 31 December 2015 are set out in Notes 1 and 18 to the financial statements respectively.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the Group's financial position as at that date are set out in the financial statements on pages 61 to 150 of this report.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

DONATIONS

No donations were made by the Group during the year ended 31 December 2015 (2014: RMB200,000).

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Notes 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 31 December 2015 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2015 are set out in Note 43 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB849,709,000.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Hua Bangsong *(retired on 26 June 2015)*
Mr. Liu Haijun *(Chief Executive Officer)*
Mr. Zhou Hongliang

Non-executive Director

Mr. Cui Ying
(redesignated from executive director on 30 October 2015)

Independent Non-executive Directors

Mr. Liu Ji *(resigned on 28 December 2015)*
Mr. Wu Jianmin *(retired on 26 June 2015)*
Mr. Lawrence Lee *(appointed on 30 March 2015)*
Mr. Tang Shisheng *(appointed on 7 December 2015)*
Mr. Feng Guohua *(appointed on 28 December 2015)*

In accordance with Article 108 of the Company's Articles of Association, Mr. Liu Haijun and Mr. Zhou Hongliang 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. Tang Shisheng and Mr. Feng Guohua will retire at the forthcoming annual general meeting of the Company, and being eligible, offers themselves for re-election.

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

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section "Share Option Schemes" below, at no time during the year or at the end of the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2015, 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. Liu Haijun	Company	Beneficial owner	3,040,000 (L)[2]	0.07%
Mr. Cui Ying	Company	Beneficial owner	3,040,000 (L)[2]	0.07%
Mr. Zhou Hongliang	Company	Beneficial owner	3,040,000 (L)[2]	0.07%

Notes:

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

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

Save as disclosed above, as at 31 December 2015, 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.

Report of the Directors

SHARE OPTION SCHEMES

Share Option Scheme of the Company

On 30 November 2012, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The Share Option Scheme will remain in force for a period to be notified by the 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 31 December 2015, 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 31 December 2015, no option has been granted or agreed to be granted under the Share Option Scheme.

Pre-IPO Share Option Scheme of the Company

On 30 November 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. No further pre-IPO options shall be offered under the Pre-IPO Share Option Scheme after the Listing Date 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 the 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, including directors, senior management and employees of the Group and certain employees, executives and officers of Wison Group Holding Limited ("Wison Holding"), our controlling shareholder, and its subsidiaries 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 31 December 2015, the maximum number of shares in respect of which pre-IPO options have been granted under the Pre-IPO Share Option Scheme is 168,682,000 shares, representing approximately 4.15% 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 31 December 2015, options to subscribe for an aggregate of 168,682,000 shares representing 4.15% 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 1 January 2015	Exercised during the period	Lapsed during the period	Reassigned during the period	No. of Shares involved in the options outstanding at 31 December 2015
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
Employees of the Group	0.837	130,606,000	–	(8,968,000)	1,520,000[a]	123,158,000
Wison Holding and its subsidiaries						
Zhuang Yongqing [b]	0.837	3,648,000	–	(3,648,000)	–	–
Employees, executives and officers of Wison Holding or any of its subsidiaries	0.837	38,380,000	–	(3,116,000)	(1,520,000)[a]	33,744,000
Total		184,414,000	–	(15,732,000)	–	168,682,000

Notes:

(a) *Options representing 266,000 Shares were held by certain then employees of the Group at the beginning of the year, who were reassigned as employees of Wison Holding or its subsidiaries during the year. Options representing 1,786,000 Shares were held by certain then employees of Wison Holding or its subsidiaries at the beginning of the year, who were reassigned as employees of the Group during the year.*

(b) *Mr. Zhuang Yongqing was a director of a subsidiary of the Company and was re-assigned as employee of a subsidiary of Wison Holding during the year. Mr. Zhuang Yongqing subsequently ceased to be an eligible participant during the year. Options representing 3,648,000 Shares held by Mr. Zhuang lapsed upon his resignation.*

The outstanding options granted under the Pre-IPO Share Option Scheme above were granted on 30 November 2012. During the year ended 31 December 2015, no options have been exercised by the holders, options to subscribe for an aggregate of 15,732,000 shares have 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 31 December 2015, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares directly or indirectly held[1]	Approximate percentage of shareholding
Wison Engineering Investment Limited ("Wison Investment")	Company	Beneficial owner	3,175,520,000 (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 31 December 2015, 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"), a controlling shareholder of our Company, is a connected person of our Company under Rule 14A.07 (1) of the Listing Rules.

Wison Holding, a company wholly-owned by Mr. Hua, holds 100% of Wison Investment. Wison Investment owns approximately 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.

Prior to August 2015, Wison (Nanjing) Clean Energy Co., Ltd. ("Wison Nanjing") was owned as to 52.8% 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 was an associate of Mr. Hua and a connected person of our Company under the Listing Rules. In August 2015, Wison (China) Investment completed the disposal of its entire interest in Wison Nanjing and since then, Wison Nanjing ceased to be an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Report of the Directors

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 (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.

Zhoushan Wison Offshore & Marine Co., Ltd. ("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. **Zhoushan marine engineering base project**
   On 16 May 2012, Wison Engineering and Zhoushan Wison entered into a procurement and construction lead contractor agreement (as supplemented by a supplemental agreement dated 15 August 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 in 2013, Wison Engineering and Zhoushan Wison confirmed that the consideration payable under the Zhoushan PC Agreement is estimated to be RMB1,882.08 million. On 11 November 2014, Wison Engineering and Zhoushan Wison entered into an interim settlement confirmation, whereby the parties confirmed that the total contract value for the work already carried out by Wison Engineering amounted to RMB1,390 million and agreed to a deferral of the uncompleted work until Zhoushan Wison obtains necessary financing. No revenue on this contract was recognised during the year ended 31 December 2015 and as at 31 December 2015, the amount due from Zhoushan Wison included in the Group's trade receivables was RMB1.3 million.

2. On 24 January 2014, Wison Engineering and Wison Nanjing entered into (i) the Methanol Synthesis Renovation Project Design Contract in relation to the Methanol Synthesis Renovation Project of Wison Nanjing; (ii) the Technology Consultancy Contracts in relation to five different projects, namely (a) 200kta ethylene oxide project, (b) 600kta MTO project, (c) Wison-BASF joint project for MTO and downstream derivatives, (d) propylene oxide project, and (e) methanol synthesis renovation project; (iii) the Patent Right Sharing Agreement; and (iv) the SNG Cooperation Agreement. Wison Nanjing ceased to be an associate of Mr. Hua and a connected person of our Company under the Listing Rules since August 2015 and the transactions contemplated under the aforementioned contracts and agreements have since then ceased to be continuing connected transactions of our Company. (i) The Methanol Synthesis Renovation Project Design Contract is for the Methanol Synthesis Renovation Project of Wison Nanjing in respect of an additional 300kta

Report of the Directors

methanol synthesis unit, whereby Wison Engineering has agreed to provide basic and detail project design services for the Methanol Synthesis Renovation Project. The contract price under the Methanol Synthesis Renovation Project Design Contract was RMB2.8 million and was determined with reference to the market rates of similar services provided. The contract price under the Methanol Synthesis Renovation Project Design Contract shall be payable by Wison Nanjing in cash by installments at various stages of the design project. No revenue on this contract was recognised during the year ended 31 December 2015 before Wison Nanjing ceased to be an associate of Mr. Hua and therefore a connected person of the Company under the Listing Rules. (ii) Pursuant to each of the five Technology Consultancy Contracts, Wison Nanjing engaged Wison Engineering to produce a feasibility study report in relation to the relevant project within three months of the date of the relevant contract. The aggregate contract price for the five Technology Consultancy Contracts is RMB2.6 million and was determined with reference to the market rates of similar services provided. All of the five Technology Consultancy Contracts were completed and the entire aggregate contract price was settled during the year ended 31 December 2014. No further revenue on these contracts was recognised during the year ended 31 December 2015 before Wison Nanjing ceased to be an associate of Mr. Hua and therefore a connected person of the Company under the Listing Rules. (iii) Pursuant to the Patent Right Sharing Agreement, Wison Engineering and Wison Nanjing agreed to the joint ownership of the intellectual property right in respect of four patents, namely (a) regeneration process of using low temperature methanol to wash and spray methanol; (b) method of heat pump distillation of methanol; (c) gasifying device for liquid and solid fuel aqueous slurry; and (d) petro coke residue slurry with high ash fusion point and its preparation method. No consideration is payable by either party to the other under the Patent Right Sharing Agreement for the joint ownership of the intellectual property rights. (iv) Pursuant to the SNG Cooperation Agreement, Wison Nanjing shall provide Wison Engineering with the right to use the land and facilities owned by Wison Nanjing and located at the Nanjing Chemical Industrial Park and also with certain gases and utilities such as water and mid-pressure steam, for Wison Engineering's use in relation to its Vesta new SNG technology trial research and development project. Wison Engineering may also request Wison Nanjing to second experienced staff to assist in its project. Pursuant to the SNG Cooperation Agreement, Wison Engineering shall pay Wison Nanjing a lump sum cash payment of RMB600,000 within 60 days of the signing of the agreement as consideration for the provision of the land and facilities. This consideration is determined after arm's length negotiations between the parties and reflect the costs to Wison Nanjing for the provision of the land and facilities. As for the provision of gases and utilities by Wison Nanjing, the consideration payable shall be determined with reference to the actual usage by Wison Engineering and at a price which shall be either the actual costs to Wison Nanjing for such gases or utilities or the lowest price charged by Wison Nanjing to other customers. As for the secondment of staff, Wison Nanjing shall charge Wison Engineering 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. During the year ended 31 December 2015 before Wison Nanjing ceased to be an associate of Mr. Hua and therefore a connected person of the Company under the Listing Rules, the Group paid RMB1,360,000 to Wison Nanjing for the use of the land, facilities and the gases owned by Wison Nanjing and as loaned staff expenses. Apart from such payment, no other expenses have been incurred by the Group under the SNG Cooperation Agreement during the year ended 31 December 2015 before Wison Nanjing ceased to be an associate of Mr. Hua and therefore a connected person of the Company under the Listing Rules.

Report of the Directors

Continuing Connected Transactions

For the financial year ended 31 December 2015, all the continuing connected transactions (the "Continuing Connected Transactions") have not exceeded their respective annual caps:

1. **Leases and property management services agreements**
   The Group leased (the "Leases") to Wison (China) Investment and Wison Nantong on 1 January 2014 specified parts of certain premises in Zhangjiang Hi-Tech Park, the Group also provided property management services (the "Property Management Services Agreements") to Wison (China) Investment and Wison Nantong for the premises under the Leases for office use. Subsequently on 27 August 2015, Wison Engineering entered into a supplemental agreement with Wison Nantong to amend certain terms of the lease and the relevant property management services agreement.

Details of the above Leases and Property Management Services Agreements are as follows:

Lesser	Lessee	Leased Properties	Duration of Lease	g.f.a of Leased Properties (m^2)	Annual Rental (RMB in thousands)	Property management services fee (RMB in thousands)
Wison Engineering	Wison (China) Investment	• Certain premises located at 6th Floor, Block A, No. 699 Zhongke Road, Pudong New District, Shanghai, PRC.	1 January 2014 to 31 December 2016	2,000	2,920	528
Wison Engineering	Wison Nantong	Note	1 January 2014 to 31 December 2016	Note	Note	Note

Note: Pursuant to a supplemental agreement entered into between Wison Engineering and Wison Nantong on 27 August 2015, Wison Engineering (as landlord) and Wison Nantong (as tenant) agreed that the subject premises of the lease shall be changed from 8th Floor to 11th Floor, Block C, No. 699 Zhongke Road, Pudong New District, Shanghai, PRC to 9th Floor and 10th Floor, Block C, No. 699 Zhongke Road, Pudong New District, Shanghai, PRC with gross floor area being reduced from 7,000 square metres to 4,000 square metres and the monthly rental and the property management services fee shall be adjusted proportionally from RMB851,666 (representing annual rental of approximately RMB10,219,992) to RMB486,666.6 (representing annual rental of approximately RMB5,839,999.2) and from RMB154,000 per month (representing approximately RMB1,848,000 per annum) to RMB88,000 per month (representing approximately RMB1,056,000 per annum), respectively, by reference to the size of the reduced gross floor area of the subject premises. Such amendments took effect from 1 September 2015.

Report of the Directors

As the Leases were entered into by Wison Engineering with Wison (China) Investment and Wison Nantong, respectively, both of which are connected persons of our Company, the Leases are considered under Rule 14A.82 (1) of the Listing Rules to be entered into between our Group and "parties who are connected with one another". Hence, the Leases should be aggregated under Rule 14A.82 (1) of the Listing Rules.

The rental and property management services fee payable by each of Wison (China) Investment and Wison Nantong to the Group under the Leases (where applicable, as amended) and Property Management Services Agreements (where applicable, as amended) are consistent with the prevailing market rates for similar properties in similar locations as of the commencement date of their respective tenancies (or where appropriate, as of the effective date of the amendments). 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 31 December 2014, 2015 and 2016 is RMB3,500,000, and the annual caps for the aggregate amounts of the rental and the property management services payable fees by Wison Nantong to Wison Engineering under the 2014 Wison Nantong Property Leasing Agreement (as amended) and the 2014 Wison Nantong Property Management Services Agreement (as amended) for each of the three years ending 31 December 2014, 2015 and 2016 are RMB12,100,000, RMB10,400,000 and RMB7,000,000, respectively. As at 31 December 2015, the amounts of outstanding rental and property management services fees due from Wison (China) Investment and Wison Nantong are Nil and RMB27,000, respectively.

2. **Miscellaneous engineering design and technology services fee**

   On 4 July 2014, Wison Engineering and Wison Nanjing entered into the Framework Agreement, pursuant to which Wison Engineering and/or its subsidiaries will provide miscellaneous engineering design and technology services (the "Services") to Wison Nanjing and/or its subsidiaries in relation to their manufacturing facilities, public utility engineering systems and ancillary production systems. For projects which could adopt "design estimation approach" to calculate the contract price, the parties shall determine the contract price in accordance with the principles laid down in the Regulations on Pricing Management of Survey and Design and where "design estimation approach" is not applicable, the amount payable by Wison Nanjing to Wison Engineering shall be determined based on the agreed hourly rates. The basic hourly rate for each manpower shall follow the market price. The contract price under the Framework Agreement shall be payable on a quarterly basis by Wison Nanjing to Wison Engineering. The Framework Agreement took effect upon signing and affixation by the parties, and shall expire on 31 December 2016. The annual cap of the amount payable by Wison Nanjing to Wison Engineering for the services provided under the Framework Agreement for each of the three years ending 31 December 2014, 2015 and 2016 shall be RMB2 million. Wison Nanjing ceased to be an associate of Mr. Hua and a connected person of our Company under the Listing Rules since August 2015 and the transactions contemplated under the Framework Agreement have since then ceased to be continuing connected transactions of our Company.

Report of the Directors

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 Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2015 has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group during the year ended 31 December 2015 are set out in Note 33 to the financial statements. During the year ended 31 December 2015, the related party transactions set out in Notes 33(a)(iii) and (a)(iv) are regarded as continuing connected transactions of the Group under Rule 14A.76(2) of the Listing Rules as each of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules is less than 5%, while the related party transactions set out in Notes 33(a)(i), (a)(ii), (a)(vi) and (a)(xi) are regarded as exempt continuing connected transactions of the Group under Rule 14A.76(1) of the Listing Rules, the related party transactions with Wison Offshore & Marine Limited set out in Note 33(a)(viii) are regarded as exempted connected transactions under Rule 14A.76(1) of the Listing Rules and the financial assistance provided by Wison (China) Investment set out in Note 33(a)(x) is an exempt financial assistance under Rule 14A.90 of the Listing Rules. The related party transactions with Wison Nanjing set out in Note 33(a)(vii) were regarded as continuing connected transactions of the Group under Rule 14A.76(1) of the Listing Rules prior to Wison Nanjing ceased to be a connected person of the Company in August 2015. The related party transactions with Wison Nanjing set out in Note 33(a)(v) are regarded as continuing connected transactions of the Group under Rule 14A.76(2) of the Listing Rules while the related party transactions with Wison Nanjing under the design service contract and the five separate technology consultancy contracts set out in Note 33(a)(viii) were regarded as one-off connected transactions of the Group under Rule 14A.76(2) of the Listing Rules, and the related party transaction with Wison Nanjing under the SNG cooperation agreement set out in Note 33(a)(ix) were regarded as continuing connected transactions and one-off connected transaction under Rule 14A.76(1) of the Listing Rules, in each case prior to Wison Nanjing ceased to be a connected person of the Company in August 2015. The related party transactions with Zhoushan Wison set out in Notes 33(a)(viii) 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.

EQUITY-LINKED AGREEMENTS

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

PRE-EMPTIVE RIGHTS

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

Report of the Directors

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 31 December 2015.

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 31 December 2015 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.

PERMITTED INDEMNITY PROVISION

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

PUBLIC FLOAT

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

As at the date of this report 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2015.

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 and Chief Executive Officer

Hong Kong, 24 March 2016

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 19 September 2013 and 19 December 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 19 September 2013, due to his intention to pursue other business opportunities. Reference is also made to the announcement of the Company dated 30 March 2015 where the Company announced the appointment of Mr. Lawrence Lee as an independent non-executive director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Therefore, during the period commencing from 19 September 2013 to 30 March 2015, (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 Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). After the appointment of Mr. Lawrence Lee, the Company has complied with the above requirements of the Listing Rules and the Corporate Governance Code.

Corporate Governance Report

At the annual general meeting of the Company held on 26 June 2015, Mr. Wu Jianmin retired by rotation but did not offer himself for re-election. Therefore, following the retirement of Mr. Wu Jianmin, (i) the number of the independent non-executive Directors has fallen below the minimum number required under Rule 3.10(1) 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; 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 Corporate Governance Code. Reference is made to the announcement of the Company dated 7 December 2015 where the Company announced the appointment of Mr. Tang Shisheng as an independent non-executive director, the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee. Following the appointment of Mr. Tang Shisheng, the Company has complied with the above requirements under the Listing Rules and the Corporate Governance Code.

Save as disclosed above, during the year ended 31 December 2015, 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.

The Board of the Company currently consists of six Directors, namely Mr. Liu Haijun (Chief Executive Officer) and Mr. Zhou Hongliang as executive Directors, Mr. Cui Ying as non-executive Director, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua as independent non-executive Directors. There is no financial, business, family or other material relationship among the members of the Board. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors are set out on pages 26 to 29 of this report.

Each of Mr. Liu Haijun and Mr. Zhou Hongliang has entered into a service contract with us for an initial term of three years commencing from 28 December 2015 and 10 September 2013 respectively and shall continue thereafter unless terminated by not less than six months' written notice. Each of Mr. Cui Ying, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has entered into a letter of appointment with our Company for a term of three years commencing from 30 October 2015, 30 March 2015, 7 December 2015 and 28 December 2015 respectively unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. Notwithstanding the above, all Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the articles of association of the Company. A retiring director is eligible for re-election.

Corporate Governance Report

Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB3.4 million, plus a discretionary bonus as determined by the Board and our Remuneration Committee. Prior to Mr. Cui Ying's re-designation from an executive Director to a non-executive Director with effect from 30 October 2015, Mr. Cui was entitled to a basic annual salary of approximately RMB1.7 million payable on a time pro-rata basis for any non-full year's service), plus a discretionary bonus as determined by the Board and our Remuneration Committee under his service contract. With effect from 30 October 2015, Mr. Cui is not entitled to any director's fee for his appointment as non-executive Director. The basic annual remuneration payable by our Company to our independent non-executive Directors according to their respective letter of appointment is HK$240,000. The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the Directors for 2015 are set out in Note 9 to the financial statements.

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

Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed. The Company Secretary of the Company is Ms. 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 31 December 2015.

A comprehensive induction was conducted for Mr. Tang Shisheng and Mr. Feng Guohua who were appointed to the Board in December 2015. Each of the other Directors attended various trainings in 2015, including the training on regulatory updates for mainboard listed companies, 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 2015, the Board held 8 meetings. A total of 47 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2014 annual report, 2015 interim report, the updated terms of reference of the Audit Committee, appointments of independent non-executive Directors, appointment of the Chief Executive Officer and re-designation of Director.

The table below sets out the details of Board meetings attendance of each Director during the year ended 31 December 2015.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Hua Bangsong(Note 1)	1	0
Liu Haijun	8	8
Zhou Hongliang	8	8
Cui Ying	8	7
Liu Ji(Note 2)	8	5
Wu Jianmin(Note 3)	1	1
Lawrence Lee(Note 4)	8	6
Tang Shisheng(Note 5)	1	1
Feng Guohua(Note 6)	0	0

Corporate Governance Report

Notes:

1. *Mr. Hua Bangsong retired from the position of executive Director with effect from 26 June 2015*

2. *Mr. Liu Ji resigned from the position of independent non-executive Director with effect from 28 December 2015*

3. *Mr. Wu Jianmin retired from the position of independent non-executive Director with effect from 26 June 2015*

4. *Mr. Lawrence Lee was appointed an independent non-executive Director on 30 March 2015*

5. *Mr. Tang Shisheng was appointed as an independent non-executive Director with effect from 7 December 2015*

6. *Mr. Feng Guohua was appointed as an independent non-executive Director with effect from 28 December 2015*

In 2015, the Company convened and held one shareholders' general meeting, being the 2014 annual general meeting held on 26 June 2015. Mr. Liu Haijun, Mr. Zhou Hongliang, Mr. Cui Ying, Mr. Liu Ji, Mr. Wu Jianmin and Mr. Lawrence Lee attended the shareholders' general meeting.

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

During the period from 1 January 2015 to 30 March 2015, the Audit Committee comprised the two then independent non-executive Directors of the Company, namely, Mr. Liu Ji and Mr. Wu Jianmin, and the position of the chairman of the Audit Committee was vacant. Mr. Lawrence Lee was appointed as chairman of the Audit Committee with effect from 30 March 2015. Mr. Wu Jianmin ceased to be a member of the Audit Committee following his retirement at the annual general meeting of the Company held on 26 June 2015. Mr. Tang Shisheng was appointed as a member of the Audit Committee with effect from 7 December 2015. Mr. Liu Ji resigned from his position as a member of the Audit Committee with effect from 28 December 2015 and on the same day, Mr. Feng Guohua was appointed as a member of the Audit Committee.

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

In 2015, the Audit Committee held 3 meetings, at which a total of 12 proposals were considered, including proposals for the consideration of the Company's 2014 annual report, 2015 interim report, the appointment of auditors for 2015 and the updated terms of reference of the Audit Committee. The Audit Committee also assessed the risk management and internal control measures and the internal audit function of the Company.

Corporate Governance Report

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2015.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Liu Ji(Note 1)	3	3
Wu Jianmin(Note 2)	1	1
Lawrence Lee(Note 3)	2	2
Tang Shisheng(Note 4)	0	0
Feng Guohua(Note 5)	0	0

Notes:

1. *Mr. Liu Ji resigned from his position as a member of the Audit Committee with effect from 28 December 2015*

2. *Mr. Wu Jianmin ceased to be a member of the Audit Committee following his retirement at the annual general meeting of the Company held on 26 June 2015*

3. *Mr. Lawrence Lee was appointed as the Chairman of the Audit Committee with effect from 30 March 2015*

4. *Mr. Tang Shisheng was appointed as a member of the Audit Committee with effect from 7 December 2015*

5. *Mr. Feng Guohua was appointed as a member of the Audit Committee with effect from 28 December 2015*

Nomination Committee

During the period from 1 January 2015 to 26 June 2015, the Nomination Committee comprised one former executive Director, namely, Mr. Hua Bangsong and two then independent non-executive Directors, namely Mr. Liu Ji and Mr. Wu Jianmin, where Mr. Wu Jianmin was the chairman of the Nomination Committee.

Mr. Lawrence Lee was appointed as a member of the Nomination Committee with effect from 30 March 2015.

Mr. Hua Bangsong ceased to be a member of the Nomination Committee and Mr. Wu Jianmin ceased to be the chairman of the Nomination Committee following their retirements at the annual general meeting of the Company held on 26 June 2015.

Mr. Tang Shisheng was appointed as the chairman of the Nomination Committee with effect from 7 December 2015.

Mr. Feng Guohua was appointed as a member of the Nomination Committee with effect from 28 December 2015.

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, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge,

Corporate Governance Report

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. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua as an independent non-executive Directors of the Company, these criteria and procedures have been applied.

In 2015, the Nomination Committee held 4 meetings, at which a total of 9 proposals were considered, including proposals for re-election of directors and the appointments of Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.

The table below sets out the details of meetings attendance of each member of the Nomination Committee during the year ended 31 December 2015.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Wu Jianmin(Note 1)	1	1
Hua Bangsong(Note 2)	1	0
Liu Ji(Note 3)	4	4
Lawrence Lee(Note 4)	3	3
Tang Shisheng(Note 5)	1	1
Feng Guohua(Note 6)	0	0

Notes:

1. *Mr. Wu Jianmin ceased to be the chairman of the Nomination Committee following his retirement at the annual general meeting of the Company held on 26 June 2015*

2. *Mr. Hua Bangsong ceased to be a member of the Nomination Committee following his retirement at the annual general meeting of the Company held on 26 June 2015*

3. *Mr. Liu Ji resigned from his position as a member of the Nomination Committee with effect from 28 December 2015*

4. *Mr. Lawrence Lee was appointed as a member of the Nomination Committee with effect from 30 March 2015*

5. *Mr. Tang Shisheng was appointed as the chairman of the Nomination Committee with effect from 7 December 2015*

6. *Mr. Feng Guohua was appointed as a member of the Nomination Committee with effect from 28 December 2015*

Remuneration Committee

During the period from 1 January 2015 to 26 June 2015, the Remuneration Committee consisted of two former independent non-executive Directors, namely, Mr. Liu Ji and Mr. Wu Jianmin, and one former executive Director, namely, Mr. Hua Bangsong, where Mr. Liu Ji was the chairman.

Mr. Lawrence Lee was appointed as a member of the Remuneration Committee with effect from 30 March 2015.

Mr. Hua Bangsong and Mr. Wu Jianmin ceased to be members of the Remuneration Committee following their retirement at the annual general meeting of the Company held on 26 June 2015.

Corporate Governance Report

Mr. Tang Shisheng was appointed as a member of the Remuneration Committee with effect from 7 December 2015.

Mr. Feng Guohua was appointed as the chairman of the Remuneration Committee with effect from 28 December 2015.

The Remuneration Committee has adopted the model code 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 remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

In 2015, the Remuneration Committee held 2 meetings, at which a total of 9 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 31 December 2015.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Liu Ji(Note 1)	2	2
Wu Jianmin(Note 2)	2	2
Hua Bangsong(Note 3)	2	0
Lawrence Lee(Note 4)	0	0
Tang Shisheng(Note 5)	0	0
Feng Guohua(Note 6)	0	0

Notes:

1. *Mr. Liu Ji resigned from his position as the chairman of the Remuneration Committee with effect from 28 December 2015*

2. *Mr. Wu Jianmin ceased to be a member of the Remuneration Committee following his retirement at the annual general meeting of the Company held on 26 June 2015*

3. *Mr. Hua Bangsong ceased to be a member of the Remuneration Committee following his retirement at the annual general meeting of the Company held on 26 June 2015*

4. *Mr. Lawrence Lee was appointed as a member of the Remuneration Committee with effect from 30 March 2015*

5. *Mr. Tang Shisheng was appointed as a member of the Remuneration Committee with effect from 7 December 2015*

6. *Mr. Feng Guohua was appointed as the chairman of the Remuneration Committee with effect from 28 December 2015*

For the year ended 31 December 2015, the number of senior management (excluding directors) whose remuneration fell within the following bands is as follows:

HK$1,500,001 to HK$2,000,000	5
HK$2,000,001 to HK$2,500,000	8
HK$3,000,001 to HK$3,500,000	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 Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures. The Company has established and maintained the risk management system and internal control system according to the Corporate Risk Management Integrated Framework (《企業風險管理整合框架》) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and has an internal audit function. In accordance with its general goals, the Company identified, organized and analysed the key business-related risks for the purposes of risk management and value creation. Regular risk assessments and review of the risk management and internal control systems were conducted annually and a refined risk management system was adopted to identify, assess and minimize risks. The Board evaluated the sufficiency and effectiveness of risk management and internal control systems and the internal audit function of the Company through the Audit Committee. Procedures and Rules for information disclosure and report were also formulated and implemented in order to systematically collect and monitor the information disclosure of the Company. Furthermore, deficiencies and insufficiency of the internal control mechanism and its implementation were identified through self-evaluation of risk and inspection. These initiatives facilitated the enhancement of risk management system and reasonably ensured the effective operation of risk management and internal control system in order to safeguard the legal interest of the investors and protect the Company's assets.

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 31 December 2015.

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 2015.

For the year ended 31 December 2015, 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	3,880
Audit services provided by other local auditors	708
Non-audit service provided by Ernst & Young Advisory for taxation services	1,000
	5,588

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Company and its subsidiaries and of the financial performance and cash flow during the reporting period. A statement from the auditors about their reporting responsibilities on the financial statements is set out on pages 59 to 60 of this report. In preparing the financial statements for the year ended 31 December 2015, 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. However, Ernst & Young, the external auditors, have noted certain events (including the fact that, the Group had significant overdue trade receivables and overdue amounts due from contract customers) which indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Details of the external auditors' opinion are set out in the Independent Auditors' Report.

Corporate Governance Report

The Board has further reviewed the effectiveness of the risk management and internal control systems of the Group to ensure that sound systems are maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2015, the Company engaged independent risk management and internal control consultant to carry out audit on the risk management and internal control measures of the Company. No material weakness on risk management and internal control measures has been identified. In addition, the Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting 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 24A, 24th Floor, Tai Yau Building, 181 Johnston Road, Wan Chai, Hong Kong, for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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 31 December 2015 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 61 to 150 which comprise the consolidated statement of financial position as at 31 December 2015, 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.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditors' Report

BASIS FOR QUALIFIED OPINION

Impairment of trade receivables and amounts due from contract customers

The Group had outstanding trade and bills receivables of RMB311,209,000 and RMB1,015,257,000 as of 31 December 2015 and 2014 and amounts due from contract customers of RMB4,033,219,000 and RMB3,242,274,000 as of 31 December 2015 and 2014, respectively, of which trade receivables of RMB59,933,000 and RMB455,057,000 as of 31 December 2015 and 2014, respectively, and amounts due from contract customers of RMB1,037,066,000 and RMB1,038,005,000 as of 31 December 2015 and 2014, respectively, have been identified as overdue in accordance with the contract terms. The Group has recorded an impairment provision of RMB765,000 as of 31 December 2015 and 2014, against the balance of trade receivables. We were unable to obtain sufficient evidence on the recoverability of the overdue trade receivables of RMB59,933,000 and RMB455,057,000, and the overdue amounts due from contract customers of RMB1,037,066,000 and RMB1,038,005,000 as of 31 December 2015 and 2014, respectively. Accordingly, we were unable to satisfy ourselves regarding the adequacy of the impairment provision against the balance of trade receivables and amounts due from contract customers as at 31 December 2015 and 2014. Any under-provision for these balances would reduce the net assets of the Group as at 31 December 2015 and 2014 and decrease the Group's net profit for the years ended 31 December 2015 and 2014.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements. As of 31 December 2015, the Group's net current assets amounted to RMB791,241,000. However, included in the Group's current assets as at 31 December 2015 were overdue trade receivables and overdue amounts due from contract customers of RMB59,933,000 and RMB1,037,066,000, respectively. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	6	**5,413,531**	6,992,113
Cost of sales		**(4,596,651)**	(6,199,925)
GROSS PROFIT		**816,880**	792,188
Other income and gains	6	**513,805**	252,499
Selling and marketing expenses		**(56,097)**	(44,918)
Administrative expenses		**(287,863)**	(254,912)
Other expenses		**(254,299)**	(205,853)
Finance costs	7	**(421,877)**	(271,161)
Share of profit/(loss) of an associate		**458**	(413)
PROFIT BEFORE TAX	8	**311,007**	267,430
Income tax	10	**(72,491)**	(56,736)
PROFIT FOR THE YEAR		**238,516**	210,694
Attributable to:			
Owners of the parent		**205,106**	179,038
Non-controlling interests		**33,410**	31,656
		238,516	210,694
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
— Basic and diluted		**RMB5.05 cents**	RMB4.40 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**238,516**	210,694
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,764**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**3,764**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**3,764**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**242,280**	210,694
Attributable to:		
Owners of the parent	**208,870**	179,038
Non-controlling interests	**33,410**	31,656
	242,280	210,694

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,028,287**	1,210,881
Investment properties	14	**13,556**	14,136
Prepaid land lease payments	15	**163,272**	178,279
Goodwill	16	**15,752**	15,752
Other intangible assets	17	**10,372**	13,134
Investment in an associate	18	**2,037**	1,579
Long-term prepayments	22	**128,042**	382,551
Total non-current assets		**1,361,318**	1,816,312
CURRENT ASSETS			
Inventories	19	**177,581**	433,167
Gross amounts due from contract customers	20	**4,033,219**	3,242,274
Trade and bills receivables	21	**311,209**	1,015,257
Due from a related company	33	**–**	646
Due from fellow subsidiaries	33	**27**	14,775
Due from the ultimate holding company	33	**87**	87
Prepayments, deposits and other receivables	22	**656,408**	1,374,806
Pledged bank balances and time deposits	23	**1,257,417**	300,180
Cash and bank balances	23	**1,253,436**	542,276
		7,689,384	6,923,468
Assets classified as held for sale	34	**116,210**	–
Total current assets		**7,805,594**	6,923,468
CURRENT LIABILITIES			
Gross amounts due to contract customers	20	**1,637,037**	1,771,315
Trade and bills payables	24	**3,335,388**	3,941,053
Other payables, advances from customers and accruals	25	**1,437,512**	347,601
Derivative financial instruments	26	**–**	725
Interest-bearing bank and other borrowings	27	**230,049**	539,971
Due to a related company	33	**78**	78
Due to an associate	33	**630**	630
Dividends payable		**272,674**	272,674
Tax payable		**100,985**	54,830
Total current liabilities		**7,014,353**	6,928,877
NET CURRENT ASSETS/(LIABILITIES)		**791,241**	(5,409)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,152,559**	1,810,903

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Finance lease payables	28	–	49
Deferred tax liabilities	29	**24,284**	23,362
Government grants	30	**5,275**	2,137
Total non-current liabilities		**29,559**	25,548
NET ASSETS		**2,123,000**	1,785,355
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**329,803**	329,803
Share premium	31	**846,077**	846,077
Other reserves	31	**755,086**	490,851
		1,930,966	1,666,731
Non-controlling interests		**192,034**	118,624
Total equity		**2,123,000**	1,785,355

Liu Haijun
Director

Zhou Hongliang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent											
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Share option reserve* RMB'000 (note 32)	Capital reserve* RMB'000	Redemption reserve* RMB'000	Statutory surplus reserves* RMB'000 (note 31)	Statutory 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 1 January 2014	329,803	846,077	85,309	(1)	1	35,514	26,697	8,385	84,426	1,416,211	86,968	1,503,179
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	–	–	179,038	179,038	31,656	210,694
Winding up of a subsidiary**	–	–	–	1	–	–	–	(194)	–	(193)	–	(193)
Equity-settled share option arrangements (note 8)	–	–	71,675	–	–	–	–	–	–	71,675	–	71,675
As at 31 December 2014 and 1 January 2015	**329,803**	**846,077**	**156,984**	**–**	**1**	**35,514**	**26,697**	**8,191**	**263,464**	**1,666,731**	**118,624**	**1,785,355**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**205,106**	**205,106**	**33,410**	**238,516**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,764**	**–**	**3,764**	**–**	**3,764**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,764**	**205,106**	**208,870**	**33,410**	**242,280**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**40,000**	**40,000**
Equity-settled share option arrangements (note 8)	**–**	**–**	**55,365**	**–**	**–**	**–**	**–**	**–**	**–**	**55,365**	**–**	**55,365**
As at 31 December 2015	**329,803**	**846,077**	**212,349**	**–**	**1**	**35,514**	**26,697**	**11,955**	**468,570**	**1,930,966**	**192,034**	**2,123,000**

* These reserve accounts comprise the consolidated other reserves of RMB755,086,000 and RMB490,851,000 in the consolidated statement of financial position as at 31 December 2015 and 2014, respectively.

** During the year ended 31 December 2014, a subsidiary of the Group, Wison Singapore Pte Ltd. ("Wison Singapore") was wound up.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**311,007**	267,430
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	8,13,14	**72,407**	69,210
Amortisation of other intangible assets	8,17	**5,368**	5,158
Amortisation of prepaid land lease payments	8,15	**4,453**	4,453
Impairment for inventories	8,19	**–**	3,142
Recognition of government grants		**(696)**	(3,018)
Share of (profit)/loss of an associate		**(458)**	413
Loss on disposal of items of property, plant and equipment	8	**389**	460
Fair value loss, net			
Derivative instruments — transactions not qualifying as hedges	8, 26	**–**	725
Equity-settled share option expenses	8	**55,365**	71,675
Finance costs	7	**421,877**	271,161
Interest income	6	**(394,194)**	(215,912)
		475,518	474,897
Decrease/(increase) in inventories		**255,586**	(194,486)
Decrease/(increase) in trade and bills receivables		**1,090,227**	(753,690)
Decrease/(increase) in prepayments, deposits and other receivables		**595,955**	(469,976)
Increase in long-term prepayment		**(6,058)**	(380,948)
Increase in amounts due from contract customers		**(790,945)**	(318,872)
(Decrease)/increase in amounts due to contract customers		**(134,278)**	1,196,400
(Decrease)/increase in trade and bills payables		**(605,665)**	1,414,870
Decrease/(increase) in amounts due from fellow subsidiaries		**14,748**	(14,654)
Decrease/(increase) in an amount due from a related company		**646**	(529)
Increase/(decrease) in other payables, advances from customers and accruals		**1,099,232**	(143,401)
Decrease in derivative financial instruments		**(725)**	–
Increase in pledged bank balances and time deposits, and frozen balances		**(954,225)**	–
		1,040,016	809,611
Interest received		**8,015**	12,675
Interest paid		**(35,698)**	(67,924)
Tax (paid)/refunded		**(25,414)**	23,200
Net cash flows from operating activities		**986,919**	777,562

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,136)**	(5,817)
Proceeds from disposal of items of property, plant and equipment		**132**	723
Purchase of other intangible assets	17	**(2,606)**	(3,101)
Winding up a subsidiary		**–**	(193)
Receipt of government grants		**3,834**	2,942
Decrease/(increase) in unpledged time deposits with original maturity of more than three months		**133,832**	(6,402)
Net cash flows from/(used in) investing activities		**131,056**	(11,848)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		**40,000**	–
Capital element of finance lease payments		**(122)**	(227)
Decrease in pledged bank balances and time deposits, and frozen balances		**–**	500,624
New bank loans		**348,800**	–
Repayment of bank loans		**(658,649)**	(1,013,973)
Net cash flows used in financing activities		**(269,971)**	(513,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**848,004**	252,138
Cash and cash equivalents at beginning of year		**396,432**	144,294
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,244,436**	396,432
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**549,512**	287,903
Unpledged time deposits with original maturity of less than three months when acquired		**694,924**	111,541
Unpledged time deposits with original maturity of more than three months when acquired		**9,000**	142,832
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	23	**1,253,436**	542,276
Unpledged time deposits with original maturity of more than three months when acquired		**(9,000)**	(142,832)
Frozen and unpledged cash balances		**–**	(3,012)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**1,244,436**	396,432

Notes to Financial Statements

Year ended 31 December 2015

1. CORPORATE AND GROUP 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 terms of design, building and commissioning of their production facilities through technology consultancy, engineering, procurement and construction management services in the People's Republic of China ("PRC") and overseas.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wison Engineering Technology Limited ("Wison Technology")*	British Virgin Islands ("BVI")	United States dollar ("US$")1	100	–	Investment holding
Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)")*	Hong Kong	HK$401,713,600	–	100	Investment holding/import and export sale of equipment and parts/provision of engineering, procurement and construction management service
惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering")*	PRC/ Mainland China	RMB510,000,000	–	75**	Provision of engineering, procurement and construction management service**
惠生(揚州)化工機械有限公司 ("Wison Yangzhou")*	PRC/ Mainland China	US$13,000,000	–	100***	Manufacture and sale of heat resistant alloy pipes and materials for cracking furnaces

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

** 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 and construction of new ethylene cracking furnaces, and the provision of other chemical engineering processing system solutions in 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 90% and 10% of the profits of Wison Engineering, respectively.

*** Wison Yangzhou is a wholly-foreign-owned enterprise established in the PRC.

Notes to Financial Statements

Year ended 31 December 2015

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

2.1 BASIS OF PRESENTATION

As at 31 December 2015, the Group had net current assets of approximately RMB791,241,000 (2014: net current liabilities of approximately RMB5,409,000). However, included in the Group's current assets as at 31 December 2015 were overdue trade receivables and overdue amounts due from contract customers of approximately RMB59,933,000 and RMB1,037,066,000, respectively.

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

(1) Bank facilities

The directors of the Company remained active in negotiations with the banks and other creditors to obtain new banking facilities with a view to improving its short-term liquidity;

Subsequent to 31 December 2015, in March 2016, the Group was granted a bank loan for a total amount of RMB500,000,000 with maturity in May 2017.

(2) Attainment of profitable and positive cash flow operations

The Group is taking measures to monitor and manage the operating cost controls over various costs and expenses and to seek new business opportunities with the aim to attain profitable and positive cash flow operations. This includes pursuing of new businesses and exploring outbound projects in order to enhance market position, maintain continuous growth and diversify sources of revenue.

The Group continues to manage working capital to fully utilise and defer the credit period offered by suppliers.

Further, the Group is actively following up with its customers on outstanding trade receivables and amounts due from contract customers with the immediate aim of agreeing a repayment schedule.

(3) Optimise the overall assets portfolio of the Group so as to enhance the asset efficiency

Subsequent to 31 December 2015, on 22 March 2016, the Group entered into a property sale and purchase agreement with a purchaser, pursuant to which the Group agreed to sell one of its properties to the purchaser with a total consideration of RMB390,000,000. With the completion of the property sale, the Group can further optimise the asset portfolio so as to enhance asset efficiency.

The directors of the Company are of the opinion that, after taking into account the measures as mentioned above and the 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 31 December 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to Financial Statements

Year ended 31 December 2015

2.2 BASIS OF PREPARATION

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 Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 3 to the financial statements. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. 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 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. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to Financial Statements

Year ended 31 December 2015

2.2 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010–2012 Cycle
Annual Improvements to IFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Notes to Financial Statements

Year ended 31 December 2015

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) *The Annual Improvements to IFRSs 2011–2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

Notes to Financial Statements

Year ended 31 December 2015

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*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date determined but available for adoption

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

Notes to Financial Statements

Year ended 31 December 2015

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

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for the lessee and the lessor to a contract. For lessee, IFRS 16 introduces a single accounting model for all leases, with certain exemptions, which requires lessees to recognise most leases on their balance sheets. For lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing its impact upon adoption.

In January 2016, the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The disclosure requirement also applies to changes in financial assets if cash flows from those financial assets were, or future cash flows will, included in cash flows from financing activities. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2017 and is currently assessing the impact upon adoption.

Notes to Financial Statements

Year ended 31 December 2015

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

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 assets 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*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling 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 of the acquiree.

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Fair value measurement

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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.

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.

Investment properties

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

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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

Non-current assets classified as held for sale

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

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

Intangible assets (other than goodwill)

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

Research and development costs

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the 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.

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.

Notes to Financial Statements
Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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 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.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables, an amount due to a related company, derivative financial instruments, an amount due to an associate, dividends payable, finance lease payables and interest-bearing bank borrowings.

Notes to Financial Statements
Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

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.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, 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.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

- where the deferred tax asset relating to the deductible temporary differences 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.

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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" below;

(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" below or in the period when services are rendered;

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

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

Construction contracts

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

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

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

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

Contracts for services

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

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

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

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

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 employees' basic salaries 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 31 December 2015

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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

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

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 RMB at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

Notes to Financial Statements

Year ended 31 December 2015

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.

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries 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 statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property. 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.

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Year ended 31 December 2015

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 described 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. At 31 December 2015, the carrying value of property, plant and equipment is RMB1,028,287,000 (2014: RMB1,210,881,000).

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 31 December 2015

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. At 31 December 2015, impairment of RMB765,000 (2014: RMB765,000) was recognised for the trade receivables. The carrying amount of trade receivables was RMB227,176,000 (2014: RMB535,838,000).

Impairment test of goodwill

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. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the asset and the cash-generating unit to which the asset is allocated. Management considers that the goodwill should be allocated to the Group's operating segment (cash-generating unit) 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 31 December 2015 was RMB15,752,000. Details are set out in note 16.

PRC corporate income tax

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax asset was recognised and the amount of unrecognised tax losses at 31 December 2015 was RMB48,918,000 (2014: RMB44,806,000).

Notes to Financial Statements

Year ended 31 December 2015

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 refineries segment engages in the provision of procurement and construction management services to the project owners for the construction of oil refineries; and

(d) The other products and services segment engages in the provision of services for other industries, such as fine chemical production facilities and the manufacture of integrated piping systems.

Management monitors the results of the Group's 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. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude other payables and accruals, derivative financial instruments, interest-bearing bank and other 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.

Notes to Financial Statements

Year ended 31 December 2015

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments

Year ended 31 December 2015	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refineries RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	580,403	3,288,322	1,540,567	4,239	5,413,531
Intersegment sales	5,599	97	–	–	5,696
Total revenue	586,002	3,288,419	1,540,567	4,239	5,419,227
Reconciliation:					
Elimination of intersegment sales					(5,696)
Revenue					5,413,531
Segment results	56,917	525,370	237,502	(2,909)	816,880
Reconciliation:					
Unallocated income					513,805
Unallocated expenses					(598,259)
Share of profit of an associate					458
Finance costs					(421,877)
Profit before tax					311,007
Segment assets	926,967	2,969,691	1,299,765	20,943	5,217,366
Reconciliation:					
Elimination of intersegment receivables					(6,678)
Assets classified as held for sale					116,210
Corporate and other unallocated assets					3,840,014
Total assets					9,166,912
Segment liabilities	542,048	2,066,865	3,216,856	334,499	6,160,268
Reconciliation:					
Elimination of intersegment payables					(6,920)
Corporate and other unallocated liabilities					890,564
Total liabilities					7,043,912
Other segment information					
Share of profit of an associate					
Unallocated					458
Depreciation and amortisation					
Unallocated					82,228
Investment in an associate					
Unallocated					2,037
Capital expenditure*					
Unallocated					6,742

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

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Year ended 31 December 2015

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

Year ended 31 December 2014	Petrochemicals RMB'000	Coal-to-chemicals RMB'000	Oil refineries RMB'000	Other products and services RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	2,326,346	4,337,473	287,931	40,363	6,992,113
Intersegment sales	4,626	16,003	–	–	20,629
Total revenue	2,330,972	4,353,476	287,931	40,363	7,012,742
Reconciliation:					
Elimination of intersegment sales					(20,629)
Revenue					6,992,113
Segment results	110,672	598,490	59,877	23,149	792,188
Reconciliation:					
Unallocated income					252,499
Unallocated expenses					(505,683)
Share of loss of an associate					(413)
Finance costs					(271,161)
Profit before tax					267,430
Segment assets	1,063,054	2,941,862	1,902,261	460,395	6,367,572
Reconciliation:					
Elimination of intersegment receivables					(38,936)
Corporate and other unallocated assets					2,411,144
Total assets					8,739,780
Segment liabilities	839,988	2,533,880	2,193,537	211,324	5,778,729
Reconciliation:					
Elimination of intersegment payables					(40,332)
Corporate and other unallocated liabilities					1,216,028
Total liabilities					6,954,425
Other segment information					
Share of loss of an associate					
Unallocated					(413)
Depreciation and amortisation					
Unallocated					78,821
Investment in an associate					
Unallocated					1,579
Capital expenditure*					
Unallocated					8,918

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

Notes to Financial Statements

Year ended 31 December 2015

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	**3,714,695**	6,441,514
Venezuela	**1,528,369**	260,040
Saudi Arabia	**170,467**	290,559
	5,413,531	6,992,113

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

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

Information about major customers

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

	2015	2014
Customer A (Coal-to-chemicals segment)	**57.5%**	30.3%
Customer B (Oil refineries segment)	**28.2%**	N/A*
Customer C (Coal-to-chemicals segment)	**N/A***	15.2%
Customer D (Coal-to-chemicals segment)	**N/A***	11.9%
Customer E (Petrochemicals segment)	**N/A***	10.3%

* The revenue derived from each of these customers amounted to less than 10% of the Group's revenue during the year ended 31 December 2014 or 2015.

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Year ended 31 December 2015

6. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2015 RMB'000	2014 RMB'000
Revenue		
Construction contracts	**5,301,285**	6,838,054
Sale of goods	**–**	1,832
Rendering of services	**112,246**	152,227
	5,413,531	6,992,113
Other income		
Government grants*	**696**	3,018
Interest income	**394,194**	215,912
Rental income	**46,654**	25,229
Others	**7,278**	2,536
	448,822	246,695
Gains		
Foreign exchange gains	**64,983**	5,804
	513,805	252,499

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank loans wholly repayable within five years	**31,772**	64,820
Interest on discounted bills	**390,097**	206,325
Interest on finance leases	**8**	16
	421,877	271,161

Notes to Financial Statements

Year ended 31 December 2015

8. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		–	1,140
Cost of services provided		**4,596,651**	6,198,785
Depreciation	13,14	**72,407**	69,210
Research and development costs		**173,506**	202,796
Amortisation of prepaid land lease payments	15	**4,453**	4,453
Amortisation of other intangible assets*	17	**5,368**	5,158
Impairment for inventories	19	–	3,142
Loss on disposal of items of property, plant and equipment		**389**	460
Minimum lease payments under operating leases		**18,886**	21,382
Auditors' remuneration		**4,588**	4,926
Employee benefit expense (including directors' and chief executive's remuneration) (note 9):			
Wages and salaries		**539,889**	551,885
Equity-settled share option expenses		**55,365**	71,675
Retirement benefit scheme contributions		**57,258**	50,194
		652,512	673,754
Foreign exchange differences, net		**(64,983)**	(5,804)
Fair value loss, net			
Derivative instruments — transactions not qualifying as hedges		–	725

* The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

Notes to Financial Statements

Year ended 31 December 2015

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

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

	2015 **RMB'000**	2014 RMB'000
Fees	**444**	380
Other emoluments:		
Salaries and allowances	**5,083**	6,514
Discretionary bonuses	**648**	1,200
Equity-settled share option expenses	**2,994**	3,546
Retirement benefit scheme contributions	**120**	111
Total	**9,289**	11,751

In prior years, 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 31 December 2015

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

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

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2015						
— Mr. Hua Bangsong (i)	**–**	**153**	**–**	**–**	**–**	**153**
— Mr. Liu Haijun (ii)	**–**	**1,694**	**216**	**998**	**40**	**2,948**
— Mr. Cui Ying (iii)	**–**	**1,552**	**216**	**998**	**40**	**2,806**
— Mr. Zhou Hongliang	**–**	**1,684**	**216**	**998**	**40**	**2,938**
— Mr. Liu Ji (iv)	**190**	**–**	**–**	**–**	**–**	**190**
— Mr. Wu Jianmin (v)	**93**	**–**	**–**	**–**	**–**	**93**
— Mr. Lawrence Lee (vi)	**146**	**–**	**–**	**–**	**–**	**146**
— Mr. Tang Shisheng (vii)	**13**	**–**	**–**	**–**	**–**	**13**
— Mr. Feng Guohua (viii)	**2**	**–**	**–**	**–**	**–**	**2**
	444	**5,083**	**648**	**2,994**	**120**	**9,289**
Year ended 31 December 2014						
— Mr. Hua Bangsong	–	1,843	–	–	–	1,843
— Mr. Liu Haijun	–	1,597	400	1,182	37	3,216
— Mr. Cui Ying	–	1,597	400	1,182	37	3,216
— Mr. Zhou Hongliang	–	1,477	400	1,182	37	3,096
— Mr. Liu Ji	190	–	–	–	–	190
— Mr. Wu Jianmin	190	–	–	–	–	190
	380	6,514	1,200	3,546	111	11,751

Notes to Financial Statements

Year ended 31 December 2015

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

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

(i) Mr. Hua Bangsong retired from his position of executive director of the Company effective from 26 June 2015.

(ii) Mr. Liu Haijun was appointed as the chief executive officer of the Group with effect from 30 October 2015.

(iii) Mr. Cui Ying was re-designated as a non-executive director with effect from 30 October 2015.

(iv) Mr. Liu Ji resigned as an independent non-executive director of the Company with effect from 28 December 2015.

(v) Mr. Wu Jianmin retired from his position of an independent non-executive director of the Company with effect from 26 June 2015.

(vi) Mr. Lawrence Lee was appointed as an independent non-executive director of the Company with effect from 30 March 2015.

(vii) Mr. Tang Shisheng was appointed as an independent non-executive director of the Company with effect from 7 December 2015.

(viii) Mr. Feng Guohua was appointed as an independent non-executive director of the Company with effect from 28 December 2015.

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

(b) Five highest paid employees

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

	2015	2014
Directors	**3**	3
Non-director and non-chief executive employees	**2**	2
	5	5

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

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Year ended 31 December 2015

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

(b) Five highest paid employees (Continued)

Details of the remuneration of the non-director and non-chief executive highest paid employees for the year ended 31 December 2015 are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and allowances	**2,778**	2,354
Discretionary bonuses	**323**	988
Equity-settled share option expenses	**1,646**	1,773
Retirement benefit scheme contributions	**80**	74
	4,827	5,189

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

	2015	2014
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
	2	2

During the year ended 31 December 2012, share options were granted to two 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 31 December 2015, 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.

Notes to Financial Statements

Year ended 31 December 2015

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group was not subject to any income tax in the Cayman Islands and British Virgin Islands. The Group was not liable for income tax in Hong Kong and the United States of America as the Group did not have any assessable income arising in Hong Kong and the United States of America during the year ended 31 December 2015 (2014: Nil).

	2015	2014
	RMB'000	RMB'000
Current		
— Mainland China	**47,433**	17,638
— Elsewhere	**24,136**	36,539
Deferred (note 29)	**922**	2,559
Total tax charge for the year	**72,491**	56,736

Wison Engineering was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15%. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering submitted its application to renew its "High and New Technology Enterprise" status for another three years ending 4 September 2017 and obtained the certification in 2014. Therefore, Wison Engineering was subject to CIT at a rate of 15% for the years ended 31 December 2015 and 2014.

Wison Yangzhou was subject to a CIT at a rate of 25%.

Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions in which the Group operates.

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Year ended 31 December 2015

10. INCOME TAX (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory rates 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:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**311,007**	267,430
At the statutory income tax rates	**77,752**	66,858
Lower tax rate enacted by local authority	**(43,392)**	(16,755)
Effect of different tax rates of branches operating in other jurisdictions	**5,194**	5,768
Tax losses utilised from previous years	**–**	(20,764)
Tax losses not recognised	**1,007**	3,827
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	**14,734**	3,559
Additional tax deduction	**(13,091)**	(7,999)
Expenses not deductible for tax	**30,287**	22,242
Tax charge for the year	**72,491**	56,736

The share of tax attributable to an associate amounting to RMB61,000 (2014: RMB65,000) is included in "Share of profit/(loss) of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

The Company did not declare any dividends for the years ended 31 December 2014 and 2015.

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Year ended 31 December 2015

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,064,622,000 (2014: 4,064,622,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 as the share options in issue during those years have no dilutive effect.

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

	2015 **RMB'000**	2014 RMB'000
Earnings Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**205,106**	179,038
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**4,064,622,000**	4,064,622,000

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Year ended 31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	1,300,188	6,285	22,138	27,107	81,250	1,436,968
Accumulated depreciation	(128,003)	(4,070)	(18,426)	(22,435)	(53,153)	(226,087)
Net carrying amount	1,172,185	2,215	3,712	4,672	28,097	1,210,881
At 1 January 2015, net of accumulated depreciation	1,172,185	2,215	3,712	4,672	28,097	1,210,881
Additions	–	–	786	460	3,190	4,436
Write-off	(9,321)	–	–	–	–	(9,321)
Depreciation provided during the year	(47,053)	(118)	(3,551)	(4,016)	(17,089)	(71,827)
Disposals	–	–	–	(42)	(479)	(521)
Transfer to assets classified as held for sale (note 34)	(105,361)	–	–	–	–	(105,361)
At 31 December 2015, net of accumulated depreciation	1,010,450	2,097	947	1,074	13,719	1,028,287
At 31 December 2015:						
Cost	1,127,170	6,285	22,924	27,161	79,843	1,263,383
Accumulated depreciation	(116,720)	(4,188)	(21,977)	(26,087)	(66,124)	(235,096)
Net carrying amount	1,010,450	2,097	947	1,074	13,719	1,028,287

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Year ended 31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2014						
At 31 December 2013 and 1 January 2014:						
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
At 1 January 2014, net of accumulated depreciation	1,213,386	2,239	6,153	7,828	44,832	1,274,438
Additions	–	289	3,224	90	2,653	6,256
Depreciation provided during the year	(41,201)	(313)	(5,664)	(2,849)	(18,603)	(68,630)
Disposals	–	–	(1)	(397)	(785)	(1,183)
At 31 December 2014, net of accumulated depreciation	1,172,185	2,215	3,712	4,672	28,097	1,210,881
At 31 December 2014:						
Cost	1,300,188	6,285	22,138	27,107	81,250	1,436,968
Accumulated depreciation	(128,003)	(4,070)	(18,426)	(22,435)	(53,153)	(226,087)
Net carrying amount	1,172,185	2,215	3,712	4,672	28,097	1,210,881

At 31 December 2015, certain of the Group's buildings with a net book value of approximately RMB14,716,000 (2014: RMB116,033,000) 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 office equipment at 31 December 2015 amounted to RMB432,000 (2014: RMB543,000).

At 31 December 2014, a lien was imposed on certain of the Group's buildings with a net book value of RMB1,118,138,000 by the People's Court of Shanghai at the request of the Group's certain banks (note 27) and the lien was released subsequently in 2015.

At 31 December 2015, the Group's buildings are situated in Mainland China and are held under long term leases except for the buildings with a net book value of RMB969,684,000 (2014: RMB1,020,285,000) which are held under a medium term lease.

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Year ended 31 December 2015

14. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**14,136**	14,716
Depreciation	**(580)**	(580)
Carrying amount at 31 December	**13,556**	14,136

The fair value of the Group's investment properties was RMB38,625,000 as at 31 December 2015 (2014: RMB38,443,000), 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. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2015, the Group's investment properties are pledged to secure certain banking facility granted to the Group (note 27).

The Group's investment properties are situated in Mainland China under a medium term lease and are leased to a third party under operating leases (note 36).

Fair value hierarchy

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

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

	Fair value measurement as at 31 December 2014 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	38,443	38,443

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2014: Nil).

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Year ended 31 December 2015

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

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

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2015	2014
Commercial properties	Income method	Market month rental (per square metre and per month)	**11 to 12**	11 to 11.5
		Long term vacancy rate	**5%**	5%
		yield rate	**6.5%**	6.5%

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

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

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

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Year ended 31 December 2015

15. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**182,732**	187,185
Amortised during the year	**(4,453)**	(4,453)
Transfer to assets classified as held for sale (note 34)	**(10,849)**	–
Carrying amount at end of the year	**167,430**	182,732
Current portion included in prepayments, deposits and other receivables	**(4,158)**	(4,453)
Non-current portion	**163,272**	178,279

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:

	2015 RMB'000	2014 RMB'000
Long term lease (≥50 years)	**2,257**	13,523
Medium term lease (<50 years)	**165,173**	169,209
	167,430	182,732

At 31 December 2014, certain of the Group's leasehold interests on land with the carrying amount of approximately RMB11,146,000 were pledged to secure banking facilities granted to the Group (note 27) which was released in 2015.

At 31 December 2014, a lien was imposed on certain of the Group's parcels of land with a carrying amount of RMB180,356,000 by the People's Court of Shanghai at the request of the Group's certain banks (note 27) and the lien was released in 2015.

16. GOODWILL

	2015 RMB'000	2014 RMB'000
Carrying amount at the beginning of the year and at the end of the year	**15,752**	15,752

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

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

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16. GOODWILL (CONTINUED)

The recoverable amount of the goodwill is determined from a value in use calculation using a cash flow forecast based on financial budgets. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the year. The directors have estimated the discount rate of 12% (2014: 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 3% (2014: 3%) 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 2015 and extrapolates cash flows 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.

17. OTHER INTANGIBLE ASSETS

	2015 RMB'000	2014 RMB'000
Software		
At 1 January		
Cost	**46,632**	43,531
Accumulated amortisation	**(33,498)**	(28,340)
Net carrying amount	**13,134**	15,191
Cost at 1 January, net of accumulated amortisation	**13,134**	15,191
Additions	**2,606**	3,101
Amortisation provided during the year	**(5,368)**	(5,158)
At the end of the year, net of accumulated amortisation	**10,372**	13,134
At the end of the year		
Cost	**49,238**	46,632
Accumulated amortisation	**(38,866)**	(33,498)
Net carrying amount	**10,372**	13,134

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18. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Share of net assets	**2,037**	1,579

Particulars of the associate is as follows:

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

The Group's shareholding in the associate 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.

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

	2015 RMB'000	2014 RMB'000
Share of the associate's profit/(loss) for the year	**458**	(413)
Share of the associate's other comprehensive income	**–**	–
Share of the associate's total comprehensive income/(loss)	**458**	(413)
Aggregate carrying amount of the Group's investment in the associate	**2,037**	1,579

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Construction materials, net	**175,215**	430,812
Raw materials, gross	**2,353**	2,355
Work in progress, gross	**13**	–
	177,581	433,167

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19. INVENTORIES (CONTINUED)

The movements in the provision for inventories are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**3,142**	2,556
Write-off	**–**	(2,556)
Impairment for the year	**–**	3,142
At 31 December	**3,142**	3,142

20. CONSTRUCTION CONTRACTS

	2015 RMB'000	2014 RMB'000
Gross amounts due from contract customers	**4,033,219**	3,242,274
Gross amounts due to contract customers	**(1,637,037)**	(1,771,315)
	2,396,182	1,470,959

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**26,065,503**	23,774,987
Less: Progress billings	**(23,669,321)**	(22,304,028)
	2,396,182	1,470,959

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

	2015 RMB'000	2014 RMB'000
Fellow subsidiary		
惠生（南京）清洁能源股份有限公司("Wison Nanjing", which was not a fellow subsidiary of the Group at 31 December 2015)	**–**	1,890
Related company		
陝西長青能源化工有限公司("Shaanxi Changqing", which was not a related company of the Group at 31 December 2015)*	**–**	177,993

* At 31 December 2014, Shaanxi Changqing was indirectly owned as to 13.2% by Mr. Hua Bangsong, a beneficial shareholder of the Company.

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21. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**227,941**	536,603
Bills receivable	**84,033**	479,419
Impairment	**(765)**	(765)
	311,209	1,015,257

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

	2015 RMB'000	2014 RMB'000
Trade and bills receivables:		
Less than 3 months	**106,960**	542,164
4 to 6 months	**33,319**	7,640
7 to 12 months	**27,849**	9,608
Over 1 year	**143,081**	455,845
	311,209	1,015,257

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

	2015 RMB'000	2014 RMB'000
At 1 January	**765**	765
Impairment for the year	**–**	–
At 31 December	**765**	765

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21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB765,000 (2014: RMB765,000) with a carrying amount before provision of RMB765,000 (2014: RMB765,000).

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

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

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	**196,204**	545,120
Less than 3 months	**11,395**	7,640
4 to 12 months	**26,862**	9,608
Over 1 year	**76,748**	452,889
	311,209	1,015,257

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

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the 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.

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

	2015	2014
	RMB'000	RMB'000
Fellow subsidiaries		
舟山惠生海洋工程有限公司 ("Zhoushan Wison")	**1,261**	396,677
Wison Offshore & Marine Ltd. ("Wison Marine Engineering")	**4,452**	3,850
Related company		
Shaanxi Changqing	**–**	500

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Year ended 31 December 2015

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Transferred financial assets that are not derecognised in their entirety

At 31 December 2015, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB30,233,000 (2014: RMB336,500,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year ended 31 December 2015 to which the suppliers have recourse was RMB30,233,000 (2014: RMB336,500,000) as at 31 December 2015.

Transferred financial assets that are derecognised in their entirety

At 31 December 2015, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB707,650,000 (2014: RMB353,630,000). The Derecognised Bills had a maturity of one to six months at 31 December 2015. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Current portion of prepaid land lease payments	**4,158**	4,453
Prepayments	**688,679**	1,637,938
Deposits	**9,860**	8,990
Other receivables	**81,753**	105,976
	784,450	1,757,357
Less: Non-current portion of prepayments	**(128,042)**	(382,551)
	656,408	1,374,806

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 amounts 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.

Prepayment for purchase of raw material made to a related company included in the prepayments is as follows:

	2015 RMB'000	2014 RMB'000
Related Company		
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. "Jiangsu Xinhua")	**800**	–

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23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**571,577**	440,919
Time deposits with original maturity of less than three months	**695,032**	230,853
Time deposits with original maturity of more than three months	**1,244,244**	170,684
	2,510,853	842,456
Less: Pledged bank balances and time deposits	**(1,257,417)**	(300,180)
Unpledged cash and cash equivalents	**1,253,436**	542,276
Less: Frozen and unpledged bank balances	**–**	(145,844)
Unpledged and unfrozen cash and cash equivalents	**1,253,436**	396,432

At 31 December 2015, bank deposits of RMB1,256,558,000 (2014: RMB149,328,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2015, bank deposits of RMB859,000 (2014: RMB12,187,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 31 December 2014, bank deposits of RMB138,665,000 were pledged to a bank as security to obtain certain forward currency contracts.

At 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to RMB204,079,000 (2014: RMB357,652,000). 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 31 December 2014, certain bank accounts of Wison Engineering of RMB192,172,000 were frozen by the PRC regulatory authorities as part of their investigation. Among the total frozen bank balances, RMB46,328,000 was pledged bank balances and time deposits. All the frozen bank balances were released in 2015.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of cash and cash equivalents and the pledged bank balances and time deposits approximate to their fair values.

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24. TRADE AND BILLS PAYABLES

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

	2015 RMB'000	2014 RMB'000
Less than 1 year	**2,573,909**	3,508,792
1 to 2 years	**479,091**	314,057
2 to 3 years	**212,502**	74,317
Over 3 years	**69,886**	43,887
	3,335,388	3,941,053

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

	2015 RMB'000	2014 RMB'000
Related Company		
Jiangsu Xinhua	**949**	4,334

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

25. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Accruals	**9,415**	7,068
Advances from customers	**1,180,923**	26,029
Other payables	**247,174**	314,504
	1,437,512	347,601

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

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Year ended 31 December 2015

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Forward currency contracts	–	725

The Group entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB725,000 were charged to the statement of profit or loss during the year ended 31 December 2014.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015 RMB'000	2014 RMB'000
Current Bank loans repayable within one year	**230,000**	539,849
Finance lease payables (note 28)	**49**	122
	230,049	539,971
Non-current Finance lease payables (note 28)	–	49
	230,049	540,020

Bank borrowings were denominated in RMB at 31 December 2014 and 2015. At 31 December 2015, bank borrowings amounting to RMB230,000,000 (2014: RMB319,992,000) bore interest at fixed rates.

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

Year ended 31 December 2014	5.70% to 7.80%
Year ended 31 December 2015	4.83% to 7.56%

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

	Notes	2015 RMB'000	2014 RMB'000
Buildings	13	**14,716**	116,033
Investment properties	14	**13,556**	–
Leasehold interests on land	15	–	11,146

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

During the year ended 31 December 2015, 惠生(中國)投資有限公司 ("Wison (China) Investment"), a fellow subsidiary of the Company, executed guarantees to a certain bank for bank facilities granted to the Group of RMB220,000,000 (2014: RMB150,000,000). As at 31 December 2015, the loans were drawn down to the extent of RMB180,000,000 (2014: RMB150,000,000).

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

In September 2013, Agriculture Bank of China ("ABC") applied to the People's Court of Shanghai against the Group's subsidiary in Shanghai to impose a lien on the office buildings of the Group's subsidiary in Shanghai with a carrying value of RMB1,118,138,000 at 31 December 2014 and the related parcels of land with a carrying value of RMB180,356,000 at 31 December 2014 to demand the Group to repay the loans in an aggregate principal amount of RMB186,000,000 and all related interests. The Group repaid RMB107,000,000 and RMB79,000,000 of bank loans during the year ended 31 December 2014 and the year ended 31 December 2015, respectively. Up to 31 December 2015, the lien on the office buildings and the related parcels of land imposed by ABC has been released.

On 30 December 2013, the Group failed to settle the loans owned to China Development Bank ("CDB") with an aggregate amount of RMB250 million when they fell due and this triggered a cross-default across the Group's bank borrowing facilities at that time. CDB also imposed a lien on the same office buildings and parcel of land of the Group as ABC above. During the year ended 31 December 2014, the Group repaid RMB250 million to CDB. The Group had a loan fallen due on 20 October 2014 with an aggregate amount of RMB150 million. On 19 December 2014, the Group reached a repayment agreement with CDB, pursuant to which the Group agreed to repay the remaining bank loan of RMB150 million before 20 December 2015. As of 31 December 2015, the Group has settled the remaining bank loan of RMB150 million to CDB and CDB has released the lien on the office buildings and the related parcels of land.

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28. FINANCE LEASE PAYABLES

During the years ended 31 December 2015 and 2014, the Group leased certain of its office machinery for its operation requirements. These leases are classified as finance leases and have remaining lease terms within one year.

At 31 December 2015 and 2014, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 31 December 2015 RMB'000	Present value of payments 31 December 2015 RMB'000
Amounts payable:		
Within one year	**49**	**49**
Total minimum finance lease payments	**49**	**49**
Future finance charges	**–**	
Total net finance lease payables	**49**	
Portion classified as current liabilities (note 27)	**(49)**	
Non-current portion	**–**	

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28. FINANCE LEASE PAYABLES (CONTINUED)

	Minimum lease payments 31 December 2014 RMB'000	Present value of payments 31 December 2014 RMB'000
Amounts payable:		
Within one year	130	122
In the second year	49	49
Total minimum finance lease payments	179	171
Future finance charges	(8)	
Total net finance lease payables	171	
Portion classified as current liabilities (note 27)	(122)	
Non-current portion	49	

29. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

	2015 RMB'000	2014 RMB'000
At 1 January	**23,362**	20,803
Deferred tax charged to profit or loss during the year (note 10)	**922**	2,559
Gross deferred tax liabilities at 31 December	**24,284**	23,362

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29. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities (Continued)

The Group's deferred tax liabilities are attributed to the following item, which is reflected in the statement of financial position:

	2015 RMB'000	2014 RMB'000
Withholding taxes arising from distributable profits of the PRC subsidiaries	**24,284**	23,362
Deferred tax liabilities at year end	**24,284**	23,362

The Group has accumulated tax losses arising in Hong Kong of approximately RMB28,163,000 (2014: RMB27,921,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has accumulated tax losses arising in Mainland China of approximately RMB20,755,000 (2014: RMB16,885,000) which are available for offsetting against future taxable profits in one to five years.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

	2015 RMB'000	2014 RMB'000
Deductible temporary differences	**3,621**	97,363
Tax losses	**48,918**	44,806
	52,539	142,169

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. According to the tax notice issued by the Shanghai Tax Authority on 13 August 2014, commencing from 14 August 2014, the Group is subject to 5% withholding tax levied on dividends declared from a subsidiary established as a foreign investment enterprise in Mainland China.

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Year ended 31 December 2015

30. GOVERNMENT GRANTS

	2015 RMB'000	2014 RMB'000
Carrying amount at beginning of the year	**2,137**	2,213
Received during the year	**3,834**	2,942
Released to profit or loss (note 6)	**(696)**	(3,018)
Carrying amount at end of the year	**5,275**	2,137

31. SHARE CAPITAL AND RESERVES

(a) Shares

	2015	2014
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**	4,064,622,000

	2015 RMB'000	2014 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**	329,803

(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.

Notes to Financial Statements

Year ended 31 December 2015

31. SHARE CAPITAL AND RESERVES (CONTINUED)

(c) Statutory surplus reserve ("SSR") and expansion reserve

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

In accordance with the Company Law of the PRC and the articles of association of Wison Yangzhou, 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.

32. SHARE OPTION SCHEME

The Company operates a share option scheme prior to the public listing of its shares (the "Pre-IPO Scheme") 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, and certain employees, executive and officers of Wison Holding and its subsidiaries. The Pre-IPO Scheme was conditionally adopted on 30 November 2012 and became effective from 28 December 2012. No further options shall be offered after the listing of the Company but the provisions of the Pre-IPO Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Scheme.

As at 31 December 2015, the maximum number of shares in respect of which pre-IPO options have been granted under the Pre-IPO Scheme was 168,682,000 shares, representing approximately 4.15% 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 Scheme after the listing date of the Company (the "Listing Date").

Notes to Financial Statements

Year ended 31 December 2015

32. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Pursuant to the Pre-IPO 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.

The exercise price of share options is HK$0.837 per share.

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

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

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.837**	**184,414**	0.837	191,349
Forfeited during the year	**0.837**	**(15,732)**	0.837	(6,935)
At 31 December	**0.837**	**168,682**	0.837	184,414

No shares were exercised during the years ended 31 December 2015 and 2014.

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

2015

Number of options	**Exercise price*** HK$ per share	**Exercise period**
33,736,400	0.837	29/12/2015–28/12/2020
33,736,400	0.837	29/12/2016–28/12/2020
33,736,400	0.837	29/12/2017–28/12/2020
33,736,400	0.837	29/12/2018–28/12/2020
33,736,400	0.837	29/12/2019–28/12/2020
168,682,000		

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Year ended 31 December 2015

32. SHARE OPTION SCHEME (CONTINUED)

2014

Number of options	Exercise price* HK$ per share	Exercise period
36,882,800	0.837	29/12/2015–28/12/2020
36,882,800	0.837	29/12/2016–28/12/2020
36,882,800	0.837	29/12/2017–28/12/2020
36,882,800	0.837	29/12/2018–28/12/2020
36,882,800	0.837	29/12/2019–28/12/2020
184,414,000		

* 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 31 December 2012 was RMB376,883,000 (RMB1.904 each), of which the Group recognised a share option expense of RMB55,365,000 (2014: RMB71,675,000) during the year ended 31 December 2015.

During the year ended 31 December 2015, 15,732,000 of options were forfeited as the employees have terminated their employment and the vesting conditions have not been satisfied. (2014: 6,935,000).

At the end of the reporting period and at the date of approval of these financial statements, the Company had 168,682,000 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 168,682,000 additional ordinary shares of HK$0.1 each of the Company and additional share capital of HK$16,868,000 (equivalent to RMB14,137,000) and share premium of HK$124,319,000 (equivalent to RMB104,191,000) (before issue expenses).

On 30 November 2012, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The Share Option Scheme will remain in force for a period to be notified by the Company's board of directors (the "Board"), such period shall not exceed the period of ten years from the adoption date. Pursuant to the Share Option Scheme, the Board may offer any employee, director, consultant or adviser of the Group (the "Eligible Person") options to subscribe for shares. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

Notes to Financial Statements

Year ended 31 December 2015

32. SHARE OPTION SCHEME (CONTINUED)

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 the Company from time to time. Subject to the above, the Board may grant options under the Share Option Scheme in respect of such number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Company's shares commenced on the main board of the Stock Exchange (the "Scheme Mandate Limit"). Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by obtaining approval of the shareholders of the Company in shareholders' meeting. 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 the Company in issue.

As at 31 December 2015, no option has been granted or agreed to be granted under the Share Option Scheme.

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	**2015** **RMB'000**	2014 RMB'000
Related companies:			
Purchase of products	(a)(i)	**39**	2,568
Rental income	(a)(ii)	**730**	730
Rendering of services	(a)(ii), (a)(viii)	**937**	54,235
Fellow subsidiaries:			
Rental income	(a)(iii), (a)(iv)	**11,680**	13,140
Services received	(a)(ix)	**1,360**	–
Rendering of services	(a)(iii), (a)(iv), (a)(v), (a)(viii)	**4,249**	43,592

Notes to Financial Statements

Year ended 31 December 2015

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of the related party	Relationship
Jiangsu Xinhua	Chinese joint venture partner of Wison Engineering
上海惠生通訊技術有限公司 (Wison (Shanghai) Telecommunication Technology Company Limited "Wison Telecommunication")	Subsidiary of Jiangsu Xinhua
Wison Holding	Wholly-owned by Mr. Hua Bangsong (the controlling shareholder of the Company who was during 2014 and 2015 also a director of the Company) and the ultimate holding company of the Company
惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd. "Wison Nantong")	Indirectly wholly-owned by Wison Holding and is a fellow subsidiary of the Company
Wison Nanjing	Prior to August 2015, indirectly owned as to 52.8% by Wison Holding and was a fellow subsidiary of the Company
Wison (China) Investment	Indirectly wholly-owned by Wison Holding and is a fellow subsidiary of the Company
Wison Marine Engineering	Indirectly wholly-owned by Wison Holding and is a fellow subsidiary of the Company
Zhoushan Wison	Indirectly wholly-owned by Wison Holding and is a fellow subsidiary of the Company
Shaanxi Changqing	Prior to August 2015, indirectly owned as to 13.2% by Wison Holding and was a related company of the Company

Notes:

(a)(i) The Group and Jiangsu Xinhua entered into a new framework agreement effective on 25 April 2014 based on the framework agreement entered into between the Group and Jiangsu Xinhua on 25 April 2011 for a term of three years whereby the Group will purchase anchor, refractory support plunge hook and other ancillary accessories from Jiangsu Xinhua. Under the Renewed Framework Agreement, the annual consideration payable by Wison Engineering to Jiangsu Xinhua for the years ended 31 December 2014 and 2015 and the year ending 31 December 2016 will not be more than RMB12,000,000. During the year ended 31 December 2015, the Group's purchases of heat-resistant alloy pipes and other ancillary accessories from Jiangsu Xinhua amounted to RMB39,000 (2014: RMB2,568,000). The purchases were made by reference to the published prices and conditions offered by Jiangsu Xinhua to its customers. The prepayments and trade payables relating to Jiangsu Xinhua are set out in note 22 and note 24 to the financial statements.

Notes to Financial Statements

Year ended 31 December 2015

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(a)(ii) On 12 December 2013, the Group and Wison Telecommunication entered into a lease agreement, pursuant to 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 1 January 2014. The rental income for the year ended 31 December 2015 from Wison Telecommunication amounted to RMB730,000 (2014: RMB730,000).

On 12 December 2013, the Group and Wison Telecommunication entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wison Telecommunication for RMB132,000 per annum for a three-year period commencing from 1 January 2014. The service income for the year ended 31 December 2015 from Wison Telecommunication amounted to RMB132,000 (2014: RMB132,000).

(a)(iii) On 12 December 2013, the Group and Wison Nantong entered into a lease agreement, pursuant to 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 from 1 January 2014.

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

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

The rental income and service income for the year ended 31 December 2015 from Wison Nantong amounted to RMB8,760,000 (2014: RMB10,220,000) and RMB1,584,000 (2014: RMB1,848,000), respectively.

(a)(iv) On 12 December 2013, the Group and Wison (China) Investment entered into a lease agreement, pursuant to 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 1 January 2014. The rental income for the year ended 31 December 2015 for Wison (China) Investment amounted to RMB2,920,000 (2014: RMB2,920,000).

On 12 December 2013, the Group and Wison (China) Investment entered into a property management service agreement, pursuant to which the Group would provide property management service in relation to the premises leased to Wison (China) Investment for RMB528,000 per annum, for a three-year period commencing from 1 January 2014. The service income for the year ended 31 December 2015 from Wison (China) Investment amounted to RMB528,000 (2014: RMB528,000).

(a)(v) On 4 July 2014, the Group and Wison Nanjing entered into a framework agreement, pursuant to which the Group provided miscellaneous engineering design and technology services to Wison Nanjing and/or its subsidiaries in relation to their manufacturing facilities, public utility engineering systems and ancillary production systems. The framework agreement shall expire on 31 December 2016. The annual cap for the amount payable by Wison Nanjing to the Group under the framework agreement is expected not to exceed RMB2,000,000 for the years ended 31 December 2014 and 2015 and the year ending 31 December 2016, respectively. The Group recognised service income of RMB1,385,000 during the seven months ended 31 July 2015 (2014: RMB1,254,000).

(a)(vi) Wison Holding, as licensor, entered into three trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group on a perpetual and non-exclusive basis for nil consideration during the years ended 31 December 2014 and 2015.

(a)(vii) On 18 May 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 free of royalty fee to Wison Nanjing to use certain patented technology relating to the generation of carbon monoxide and methanol gas.

Notes to Financial Statements

Year ended 31 December 2015

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(a)(viii) On 24 January 2014, the Group and Wison Nanjing entered into a design service contract whereby Wison Nanjing engaged the Group to provide basic and detailed project design for its 300kta methanol synthesis unit for a total consideration of RMB2,800,000. No revenue on this contract was recognised during the seven months ended 31 July 2015 (2014: RMB2,642,000).

On 24 January 2014, the Group and Wison Nanjing entered into five separate technology consultancy contracts, under which Wison Nanjing engaged the Group to provide a feasibility study report in relation to the relevant projects with a total consideration of RMB2,600,000. No revenue on this contract was recognised during the seven months ended 31 July 2015 (2014: RMB2,453,000).

On 24 January 2014, the Group and Wison Nanjing entered into a 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.

During the year ended 31 December 2013, the Group and Wison Marine Engineering entered into a service contract for a total contract value of RMB3,850,000. The Group recognised revenue of RMB752,000 (2014: RMB843,000) on this contract during the year ended 31 December 2015. The trade receivables relating to Wison Marine Engineering are set out in note 21 to the financial statements.

During the year ended 31 December 2011, the Group and Shaanxi Changqing entered into a construction contract whereby Shaanxi Changqing engaged the Group to undertake the construction of its coal-to-chemicals production facilities for a contract value of RMB2,186,500,000. The Group and Shaanxi Changqing agreed to increase the contract consideration by RMB305,220,000 due to variation orders. Shaanxi Changqing was not a related company of the Group from August 2015. The Group recognised revenue of RMB805,000 on this contract during the seven months ended 31 July 2015 (2014: RMB54,103,000). The amount due from contract customers and the trade receivables relating to Shaanxi Changqing are set out in notes 20 and 21 to the financial statements, respectively.

On 16 May 2012, the Group and Zhoushan Wison entered into a construction contract whereby Zhoushan Wison engaged the Group to procure all the equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base for an estimated contract value of RMB990,930,000, which is subject to adjustment 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. During the year ended 31 December 2013, the Group and Zhoushan Wison confirmed that the estimated contract consideration would be increased by RMB891,150,000 due to variation orders. On 11 November 2014, the Group and Zhoushan Wison entered into an interim settlement confirmation, whereby the parties confirmed that the total contract value for the work already carried out by the Group amounting to RMB1,390,160,000 and agreed to a deferral of the uncompleted work until Zhoushan Wison obtains the necessary financing. No revenue on this contract was recognised during the year ended 31 December 2015 (2014: RMB34,024,000). The trade receivables relating to Zhoushan Wison are set out in note 21 to the financial statements.

(a)(ix) On 24 January 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 located at the Nanjing Chemical Industrial Park at 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 the Group's project at 1.5 times of the basic salary of such staff, which after taking into account insurance, pension and other staff benefits, represent the costs to Wison Nanjing. During the seven months ended 31 July 2015, the Group paid RMB1,360,000 to Wison Nanjing for the use of the gases and facilities (2014: nil).

(a)(x) During the year ended 31 December 2015, Wison (China) Investment executed guarantees to certain banks for bank facilities to the Group of RMB220,000,000 (2014: RMB150,000,000) at nil consideration. As at 31 December 2015, the loans were drawn down to the extent of RMB180,000,000 (2014: RMB150,000,000) (note 27).

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

In the opinion of the directors of the Company, the transactions between the Group and Jiangsu Xinhua, Wison Telecommunication, Wison Nantong, Wison Nanjing, Wison Marine Engineering, Wison Holding, Wison (China) Investment, Shaanxi Changqing and Zhoushan Wison were conducted based on mutually agreed terms.

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Year ended 31 December 2015

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(b) Balances with related parties:

	2015 **RMB'000**	2014 RMB'000
Due from a related company:		
Wison Telecommunication	**–**	646
Due from fellow subsidiaries:		
Wison Nantong	**27**	12,189
Wison (China) Investment	**–**	2,586
	27	14,775
Due from the ultimate holding company:		
Wison Holding	**87**	87
Due to a related company:		
Jiangsu Xinhua	**78**	78
Due to an associate:		
Henan Chuangsite	**630**	630

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

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

	2015 **RMB'000**	2014 RMB'000
Short term employee benefits	**16,396**	20,140
Equity-settled share option expenses	**9,005**	12,096
Total compensation paid to key management personnel	**25,401**	32,236

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

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Year ended 31 December 2015

34. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2015, the Group entered into a letter of intent with a third party to dispose of certain office buildings together with a parcel of land. On 22 March 2016, the Group entered into a property sales and purchase agreement with a purchaser with a total consideration of RMB390,000,000. The office building and the parcel of land to be sold in the next 12 months with aggregate carrying values of RMB105,361,000 and RMB10,849,000, respectively, have been recognised as assets classified as held for sale by the Group as at 31 December 2015. The disposal is expected to record a net gain of approximately RMB214 million after taking into account of the related costs and expenses in relation to the disposal and the estimated tax expense. There was no impairment loss by reference to the subject contracted selling price less estimated cost to sell.

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

Wison Engineering:

	2015	2014
Percentage of equity interest held by non-controlling interests	**25%**	25%

	2015 **RMB'000**	2014 RMB'000
Profit for the year allocated to non-controlling interests	**33,410**	31,656
Accumulated balances of non-controlling interests at the reporting dates	**192,034**	118,624

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35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Revenue	**5,487,742**	7,014,494
Total expenses	**(5,153,642)**	(6,697,930)
Profit for the year	**334,100**	316,564
Total comprehensive income for the year	**338,233**	316,564
Current assets	**7,699,163**	6,971,256
Non-current assets	**1,425,230**	1,759,862
Current liabilities	**(8,009,125)**	(7,997,171)
Non-current liabilities	**(5,275)**	(2,187)
Net cash flows from operating activities	**1,003,902**	791,387
Net cash flows from/(used in) investing activities	**153,196**	(27,467)
Net cash flows used in financing activities	**(312,133)**	(543,587)
Net increase in cash and cash equivalents	**844,965**	220,333

36. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from two to ten 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:

	2015 RMB'000	2014 RMB'000
Within one year	**55,138**	36,686
In the second to fifth years, inclusive	**15,668**	45,233
After five years	**82**	1,393
	70,888	83,312

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36. OPERATING LEASE ARRANGEMENTS (CONTINUED)

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 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:

	2015	2014
	RMB'000	RMB'000
Within one year	**12,408**	15,132
In the second to fifth years, inclusive	**11,531**	21,730
After five years	**–**	516
	23,939	37,378

37. CONTINGENT LIABILITIES

On 20 November 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 25 December 2008 and was registered with the Shanghai Administration for Industry and Commerce on 29 December 2008. On 14 May 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), pursuant to which Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to Wison Technology.

On 20 November 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 3 December 2008 and was registered with the Jiangsu Administration for Industry and Commerce on 17 December 2008. On 14 May 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), pursuant to which Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to 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 qualified 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.

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37. CONTINGENT LIABILITIES (CONTINUED)

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 the date of approval of these financial statements, 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. In prior years, 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. Such provision remained unsettled as at 31 December 2015. 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.

38. LITIGATION

As disclosed in the announcement of the Company dated 12 November 2014, the Company was informed on 10 November 2014 that Wison Engineering had received legal documents in connection with an investigation from a court in Mainland China, which stated that two charges had been instigated against Wison Engineering and Mr. Hua Bangsong, the controlling shareholder of the Company who was, during 2014 and 2015, also a director of the Company and the legal representative of Wison Engineering in relation to the following alleged criminal offences:

(1) a bribery charge has been filed against Wison Engineering and Mr. Hua Bangsong that they were involved in the offering of unlawful advantages, which mainly included Mr. Hua Bangsong's real property valued at approximately RMB7.62 million being made available to a senior manager of a customer of Wison Engineering in 2009. The documents acknowledged that the relevant property was, in fact, returned to Mr. Hua before the commencement of the investigation.

(2) a charge in relation to alleged conspiracy to commit a tender-offer fraud has been laid against Wison Engineering and Mr. Hua Bangsong. The allegation concerned irregularities during the tender process for a project in 2004. It was alleged that this particular project generated revenues of approximately RMB69 million for Wison Engineering.

The Company was informed by the lawyer of Mr. Hua Bangsong, that a court of the Mainland China on 5 August 2015 delivered the following verdict:

(1) Wison Engineering was acquitted of the charge that had been instigated against it in respect of an alleged offence of conspiracy to commit a tender-offer fraud ("Charge One").

(2) Wison Engineering was found guilty of an offence to commit bribery ("Charge Two"). Wison Engineering was ordered to pay a fine of RMB30,000,000 on the bribery charge.

(3) Mr. Hua Bangsong was acquitted of Charge One.

(4) Mr. Hua Bangsong was convicted of Charge Two and Mr. Hua Bangsong was sentenced to imprisonment for 36 months and on that basis, given the time in detention to date, it is understood Mr. Hua Bangsong will be released in the fourth quarter of 2016.

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38. LITIGATION (CONTINUED)

Provision of RMB30,000,000 for the fine was made to the Group's consolidated financial statements for the year ended 31 December 2015.

Wison Engineering has made an application on 14 August 2015 to appeal against the judgment in respect of Charge Two. Further, the lawyer of Mr. Hua Bangsong has informed the Company that Mr. Hua Bangsong has also made an application on the same date to appeal against the judgment in respect of Charge Two. The said appeal applications have been accepted by the relevant court of the Mainland China.

On 25 September 2015 that the appeal applications were turned down by the relevant court of the Mainland China and that the original judgments against Wison Engineering and Mr. Hua Bangsong in respect of Charge Two were upheld. The Company has been advised by its PRC legal advisers that the decision in turning down the appeal applications was final and not subject to appeal in formal legal proceedings.

39. 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:

31 December 2015

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	**311,209**
Financial assets included in prepayments, deposits and other receivables (note 22)	**91,613**
Due from fellow subsidiaries	**27**
Due from the ultimate holding company	**87**
Pledged bank balances and time deposits	**1,257,417**
Cash and bank balances	**1,253,436**
	2,913,789

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39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**3,335,388**
Financial liabilities included in other payables, advances from customers and accruals	**85,976**
Due to a related company	**78**
Due to an associate	**630**
Dividends payable	**272,674**
Interest-bearing bank borrowings	**230,000**
Finance lease payables	**49**
	3,924,795

31 December 2014

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	1,015,257
Financial assets included in prepayments, deposits and other receivables (note 22)	114,966
Due from a related company	646
Due from fellow subsidiaries	14,775
Due from the ultimate holding company	87
Pledged bank balances and time deposits	300,180
Cash and bank balances	542,276
	1,988,187

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39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

Financial liabilities

	Fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	3,941,053	3,941,053
Financial liabilities included in other payables, advances from customers and accruals	–	177,962	177,962
Due to a related company	–	78	78
Due to an associate	–	630	630
Dividends payable	–	272,674	272,674
Derivative financial instruments	725	–	725
Interest-bearing bank borrowings	–	539,849	539,849
Finance lease payables	–	171	171
	725	4,932,417	4,933,142

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial liabilities				
Derivative financial instruments	**–**	725	**–**	725

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

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Year ended 31 December 2015

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 board of directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the board of directors. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	725	–	–	725

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and the Group did not have any financial assets measured at fair value as at 31 December 2014 and 2015.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 both financial assets and financial liabilities (2014: Nil).

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Year ended 31 December 2015

41. 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, amounts with related companies, amounts due from fellow subsidiaries and an amount due from the ultimate holding company, an amount due to an associate, interest-bearing bank and other borrowings 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 Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are 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 profit before tax RMB'000**
Year ended 31 December 2015		
— RMB denominated loans	**20**	**(460)**
— RMB denominated loans	**(20)**	**460**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2014		
— RMB denominated loans	20	(1,085)
— RMB denominated loans	(20)	1,085

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Year ended 31 December 2015

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

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

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

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2015		
If the RMB weakens against the US$	5	117,869
If the RMB strengthens against the US$	5	(117,869)
If the RMB weakens against the SAR	5	961
If the RMB strengthens against the SAR	5	(961)
If the RMB weakens against the HK$	5	452
If the RMB strengthens against the HK$	5	(452)
If the RMB weakens against the VEF	5	367
If the RMB strengthens against the VEF	5	(367)
Year ended 31 December 2014		
If the RMB weakens against the US$	5	66,256
If the RMB strengthens against the US$	5	(66,256)
If the RMB weakens against the SAR	5	487
If the RMB strengthens against the SAR	5	(487)
If the RMB weakens against the HK$	5	109
If the RMB strengthens against the HK$	5	(109)
If the RMB weakens against the EUR	5	243
If the RMB strengthens against the EUR	5	(243)
If the RMB weakens against the VEF	5	198
If the RMB strengthens against the VEF	5	(198)

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Year ended 31 December 2015

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 amounts due from fellow subsidiaries included in the financial statements represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of their instruments.

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

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

(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 payables, other payables and accruals, derivative financial instruments, 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.

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Year ended 31 December 2015

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

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

Group

	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
31 December 2015					
Interest-bearing bank and other borrowings	**–**	**3,488**	**234,461**	**–**	**237,949**
Trade and bills payables	**–**	**3,335,388**	**–**	**–**	**3,335,388**
Other payables and accruals	**–**	**256,589**	**–**	**–**	**256,589**
Finance lease payables	**–**	**29**	**20**	**–**	**49**
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 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2014					
Interest-bearing bank and other borrowings	–	9,066	553,324	–	562,390
Trade and bills payables	–	3,941,503	–	–	3,941,503
Derivative financial instruments	–	725	–	–	725
Other payables and accruals	–	321,572	–	–	321,572
Finance lease payables	–	33	97	49	179
Due to a related company	78	–	–	–	78
Due to an associate	630	–	–	–	630
Dividends payable	272,674	–	–	–	272,674

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Year ended 31 December 2015

41. 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 is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

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 periods were as follows:

	2015 **RMB'000**	2014 RMB'000
Interest-bearing bank borrowings	**230,000**	539,849
Finance lease payables	**49**	171
Total debt	**230,049**	540,020
Total equity	**2,123,000**	1,785,355
Gearing ratio	**11%**	30%

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group recorded addition of property, plant and equipment of RMB439,000 and the corresponding amount of decrease in long-term prepayments which did not result in any cash flows.

During the year ended 31 December 2015, the Group recorded addition of property, plant and equipment of RMB300,000 and the corresponding amount of decrease in long-term prepayments which did not result in any cash flows.

During the year ended 31 December 2015, the Group wrote off property, plant and equipment of RMB9,321,000 and the derecognised corresponding amount of other payables which did not result in any cash flows.

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Year ended 31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Total non-current assets	**1**	1
CURRENT ASSETS		
Due from subsidiaries	**951,180**	956,909
Other receivables	**461**	460
Dividends receivables	**696,609**	696,609
Cash and cash equivalents	**9,190**	1,834
Total current assets	**1,657,440**	1,655,812
CURRENT LIABILITIES		
Other payables and accruals	**2,065**	912
Due to subsidiaries	**30,109**	30,109
Dividends payable	**233,406**	233,406
Total current liabilities	**265,580**	264,427
NET CURRENT ASSETS	**1,391,860**	1,391,385
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,391,861**	1,391,386
NET ASSETS	**1,391,861**	1,391,386
EQUITY		
Share capital	**329,803**	329,803
Reserves	**1,062,058**	1,061,583
TOTAL EQUITY	**1,391,861**	1,391,386

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Year ended 31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share option reserve RMB'000	Share premium RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	85,309	846,077	140,546	1,071,932
Net loss and total comprehensive expense for the year	–	–	(82,024)	(82,024)
Equity-settled share option arrangements	71,675	–	–	71,675
At 31 December 2014 and 1 January 2015	156,984	846,077	58,522	1,061,583
Net loss and total comprehensive expense for the year	–	–	(54,890)	(54,890)
Equity-settled share option arrangements	55,365	–	–	55,365
At 31 December 2015	212,349	846,077	3,632	1,062,058

The share option reserve comprises the fair value of share options granted which are yet not be exercised, as further explained in the accounting policy for share based payment in note 3 to the financial statements. The amount will either be transferred to the share premium amount when related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. SUBSEQUENT EVENTS

On 17 March 2016, the Group obtained an interest-bearing bank loan for a total amount of RMB500,000,000 with maturity in May 2017.

On 22 March 2016, the Group entered into the property sale and purchase agreement with a purchaser, pursuant to which the Group agreed to sell and the purchaser agreed to purchase a property of the Group at a cash consideration of RMB390,000,000.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.