WISON ENGINEERING SERVICES CO. LTD.
惠 生 工 程 技 術 服 務 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2236)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS:

- Our revenue for the year ended 31 December 2016 amounted to approximately RMB3,041,877,000, representing a decrease of 43.8% from approximately RMB5,413,531,000 recorded in 2015.
- Our gross profit for the year ended 31 December 2016 amounted to approximately RMB931,233,000, representing an increase of 14.0% from approximately RMB816,880,000 recorded in 2015.
- Our net profit for the year ended 31 December 2016 amounted to approximately RMB53,370,000, representing a decrease of 77.6% from approximately RMB238,516,000 recorded in 2015.
- Profit attributable to owners of the parent for the year ended 31 December 2016 amounted to approximately RMB42,914,000, representing a decrease of 79.1% from approximately RMB205,106,000 recorded in 2015.

BUSINESS OVERVIEW

Overall Review

In spite of the rebound in global oil prices at the end of 2016 brought by the reaching of a deal to cut production output by the Organization of the Petroleum Exporting Countries (OPEC) and its subsequent implementation, domestic and overseas energy and chemical markets in general have still remained at a low point with tightened capital controls and cautious investments with no clear signs of recovery over the past year. The oil & gas engineering industry is still faced with fierce market competition, which is impacting, to varying degrees, on the result performances of engineering companies including Wison Engineering Services Co. Ltd. (the "Company", together with its subsidiaries, the "Group").

While the difficult times for the industry persisted, the Group achieved significant breakthroughs in new business areas such as liquefied natural gas ("LNG"), waste water treatment and new energy, and embarked on cooperations with renowned technology patent owners and research institutes from within the country and overseas on the research and development ("R&D") and market promotion of technologies. These efforts have laid the ground for the realization of a new round of sustained and healthy growth. At the same time, overseas business expansion in the Middle East, the Commonwealth of Independent States ("CIS") and the Americas achieved milestone progresses, while the Group's major projects under execution in domestic and overseas markets advanced smoothly under assured quality and safety. In face of the widely recognized difficult market conditions, Wison continued to leverage on its industry know-how and capability advantages gained over years of experience, and combining with notions of innovation and openness, it endeavors to return to its path to growth and lay the cornerstone to realize the vision of becoming a first-class engineering company in the world.

Financial Highlights

For the year ended 31 December 2016 (the "Year under Review"), revenue of the Group amounted to approximately RMB3,041.9 million (2015: approximately RMB5,413.5 million). The decrease in revenue as compared with the previous year was mainly due to domestic and foreign macroeconomic factors which had significant impact on the Group's results. In addition, new orders obtained in 2016 were yet to enter the principal construction phase while projects from previous years were approaching completion, leading to a significant year-on-year drop in revenue recognized in 2016. Gross profit amounted to approximately RMB931.2 million (2015: approximately RMB816.9 million). Profit attributable to owners of the parent amounted to approximately RMB42.9 million (2015: approximately RMB205.1 million). The decrease in profit attributable to owners of the parent was mainly attributable to impairment provision made for amounts due from contract customers in respect of the projects in previous years. During the Year under Review, the Group disposed of its land and property located in Mainland China. Excluding the effects of one-off provisions and the disposal of the land and property described above, profit attributable to owners of the parent amounted to approximately RMB431.0 million.

During the Year under Review, the new contract value (net of estimated value added tax, same hereinafter), secured by the Group amounted to approximately RMB2,152.5 million (2015: RMB1,486.1 million), of which petrochemicals business and coal-to-chemicals business accounted for 43.9% and 43.3%, respectively. 46 engineering, consulting and technical services and engineering, procurement and construction ("EPC") contracts were newly signed in aggregate. As at the end of the Year under Review, backlog value (net of estimated value added tax, same hereinafter) was approximately RMB10,705.5 million (as at the end of 2015: approximately RMB11,985.1 million).

Business and Operations Review

1. Breakthroughs in new business development, continuing to devote to areas with traditional advantages

In recent years the Group has been committing itself to business diversification. While strengthening the business areas where it already has a competitive edge in, the Group kept itself abreast of the development trends of national industries and global energy landscape and exerted efforts to tap into new fields of business with sustainable development prospects in order to ensure the Company's long-term growth potential. During the Year under Review, breakthroughs were achieved one after another:

- **LNG Business:** The Group was awarded its first ever EPC contract for a natural gas liquefaction project during the Year under Review. Pursuant to the contract, Wison Engineering Ltd. ("Wison Engineering"), an indirect non-wholly owned subsidiary of the Company, will provide Astana Trans Oil LLP with turn-key services ranging from front-end engineering design ("FEED"), engineering design, procurement, construction to start-up commissioning and staff training for the first onshore natural gas liquefaction project in Kazakhstan (the "Kazakhstan LNG Project"). The commencement of work under the contract is subject to the satisfaction of certain conditions precedent.

- **Environmental Protection:** During the Year under Review, the Group's first EPC project in water treatment, being the EPC contract for the 30kta water treatment agent expansion project of Henan Qingshuiyuan Technology Co., Ltd (河南清水源科技股份有限公司) (the "Qingshuiyuan Water Treatment Agent Project") was signed, marking a key step for the Group's environmental protection business. Furthermore, several engineering design contracts for special treatment of VOCs (Volatile Organic Compounds) for domestic coal-to-chemical and petrochemical plants were secured.

- **New Energy:** The Group was awarded the first engineering design contract for hydrogen dispensing, purification and formulation for new energy vehicles and its accessories.

- **Inorganic Chemicals:** The Group obtained an engineering design contract for a 200kta titanium dioxide (TiO2) by sulfuric acid production plant. New process technology will be adopted to substitute for the original chlorination process which causes serious environmental pollution and entails high production costs. The Group will continue to dedicate efforts to provide clients in energy and chemical industries with alternative process technologies and engineering services that target environmental protection, energy conservation and technological upgrades.

In ethylene cracking field where the Group has been enjoying traditional advantages, Wison Engineering respectively secured an EPC contract for feedstock conversion of four ethylene cracking furnaces, and won the bid for feasibility study, basic design and detailed design of a one-megaton light hydrocarbon cracking to ethylene project in the domestic market. It is worth mentioning that both projects were cases of successful remarketing built on the trust from the Group's existing clients. Meanwhile, the Group has now possessed the capability of modularized design and integrated modularized delivery of petrochemical plants.

As for coal-to-chemicals, Wison Engineering entered into a contract with Jilin Connel Group (吉林康乃爾集團) in relation to a 300kta methanol-to-olefins ("MTO") plant, covering EPC services, licensed use of the proprietary olefin separation technology, process package compilation and technical services during the Year under Review. This was the tenth licensing arrangement of the Wison olefin separation technology proprietarily owned by the Group. In addition, the Company has recently undertaken an EPC contract for China's first coal-based high quality lubricant base oil project (the "Oil Isodewaxing Project"), which would enrich the Group's technologies in coal-based high-end chemicals and the industrial chain of EPC service provision, further enhancing its "differentiated advantages" in the coal-to-chemicals field.

2. Steady growth in overseas business, expedited forging of core capabilities in executing internationalized projects

The Group continued to uphold its "internationalization" development strategy and managed to make continuous breakthroughs in respect of new geographical markets and new clients during the Year under Review. New orders from overseas markets accounted for approximately 51.4% of the Group's total sum of new orders during the Year under Review, setting a record high percentage:

- **Central Asia and CIS region:** The aforesaid Kazakhstan LNG project was the first engineering project secured by the Group in the Central Asia region, marking the Group's first market presence in the CIS region. Furthermore, the Group provided preliminary technical advisory services for a number of clients from Russia during the Year under Review and entered into multiple preliminary technical consulting contracts for several MTO, gas-to-methanol projects, etc.. Participating in the early phase of project development creates favorable conditions for securing EPC contracts when the projects enter into implementation phase.

- **Middle East:** During the Year under Review, by virtue of its exceptional project execution record, the Group continued to secure multiple EPC contracts for chemical plant revamping projects in the Middle East market where it already has a track record in a number of projects. New projects secured include expansion and revamping works for an ethylene-to-ethylene oxide and ethylene glycol ("EOEG") plant and its utility facilities, a revamping project for a methyl tert-butyl ether ("MTBE") plant and its auxiliary facilities and a renovation project for a polypropylene and propane dehydrotreating plant. So far, the Group has accumulated a track record of eight projects in the Middle East region. Furthermore, the Group has been qualified for submitting tenders for projects valued over US$500 million by a key customer in the Middle East, laying the solid foundation for securing future large-scale projects in this region.

- **The Americas:** In the North America region where the natural gas industry is highly competitive, the Group has undertaken a technical advisory project for gas processing and utilization. In the South American market where several of the Groups's projects are currently under construction, an EPC contract for additive production unit ("APU") was recently secured from an existing client as well. The commencement of work under the contract is subject to the satisfaction of certain conditions precedent.

Capabilities in project execution and delivery are one of the core competitive strengths of an engineering company. During the Year under Review, revenue recognized from projects in overseas markets contributed to more than half of the Group's total revenue. To cope with the potential further increase in the proportion of overseas business with higher execution standards, the Group is accelerating its efforts to perfect its management system which would fully comply with requirements for execution of international projects, to expand and strengthen its execution teams for internationalized projects, and to establish a resource network for project execution in key overseas markets. Key elements in international project execution such as value engineering, sustainable development and risk analysis have been comprehensively adopted in the Group's overseas project execution. To meet the localization requirements for projects executed in certain countries, the Group has continued to enhance resource localization rate in overseas project execution while continuing to introduce qualified Chinese equipment suppliers into the Middle East market, which strengthened the Group's overseas project cost advantages, and actively contributed to Chinese enterprises "going abroad".

3. **Project execution progressing smoothly, recognition by customers for quality and safety**

During the Year under Review, the Group successfully delivered four domestic EPC projects and delivered one overseas project in phases. While eighteen projects were simultaneously under construction during peak time, no major health, safety and environment or quality incidents occurred for such projects during the year with an accumulative twelve million safety man hours recorded during the Year under Review. Project progress remained under control in general. During the year, the Group recorded revenue of RMB66.2 million from engineering, consulting and technical services projects and RMB2,975.7 million from EPC projects. Progress for some of the significant projects undertaken by the Group is as follows:

- During the Year under Review, the gasification unit of the large-scale coal-to-chemicals project in Shanxi Province achieved mechanical completion ahead of schedule, and has already entered the preparation phase for pre-commissioning and start-up;

- On-site construction of the Jilin Connel MTO project achieved three important milestones ahead of schedule under harsh climate conditions, achieving the fastest rate of construction among similar plants. This created a favorable condition for meeting the target of starting the commissioning process in 2017;

- The first EPC project of the Group in the environmental protection industry, the Qingshuiyuan Water Treatment Agent Project, was completed and delivered;

- Detailed design for China's first coal-based high quality lubricant base oil project has commenced.

In quality and safety, awards were given by project owners and industry associations in recognition of project management quality, delivery quality and safety work for several of the Group's completed and ongoing projects in domestic and foreign markets during the Year under Review. The largest engineering project in South America ever undertaken by Chinese enterprises, being the site preparation project for refinery revamp in Venezuela contracted by the Group, has cumulatively achieved nearly 6 million safety man hours since commencement, setting a good safety record for the Group's execution of large-scale overseas projects.

Utilizing internet technology, the Company integrated advanced information technology with engineering design and project management, leading to multiple achievements in project management system. At the same time, the Group continued to enhance its digitalized and modular design capabilities while optimizing digitalized project management system, thereby improving work efficiency and quality through an advanced project management and information system.

4. Fruitful results reaped in technology R&D and innovation, acceleration in marketization of new technologies through collaborative R&D

For technology R&D and collaborative technology development, the Group has been focusing on the frontier areas such as clean energy, green chemicals, environmental protection and energy conservation. During the Year under Review, achievements were attained in innovative technology engineering and industrialized verification in various domains, paving ways for the future development of the Company:

- **New methanation technology:** The pilot plant for the VESTA new methanation technology jointly developed by Wison Engineering, Amec Foster Wheeler, a world renowned engineering company, and Clariant, a specialty chemical company, has successfully passed various performance tests, signifying that the technology is qualified for commercial application. This will provide a new highly reliable and economical solution for coal-to-SNG production. With its professional performance in technology optimization, pilot plant design and construction process, Wison Engineering was awarded the "Technology Innovation Award" (技術創新獎) by Clariant.

- **Butadiene technology:** The 70kta butene oxidization and dehydrogenation to butadiene project in Shandong, for which Wison Engineering utilized its self-developed technology and catalyst, successfully commenced production during the Year under Review. Such catalyst, to which the Group owns the intellectual property, has passed the 72-hour assessment and calibration and was highly rated by the client. The performance of such technology and catalyst as well as the overall plant energy consumption were leading in the PRC, which not only has promising prospects in the markets for newly-built production plants and upgrading of existing plants, but will also offer a highly competitive solution for the integrated application of mixed carbon four technology.

- **Olefin separation technology:** The Shandong 300kta MTO project contracted by Wison Engineering, for which Wison utilized its proprietary olefin separation technology, passed the owner's performance tests and acceptance check for olefin separation units during the Year under Review. Ethylene and propylene recovery rates not only achieved a record high since the industrial application of such technology, but also set the highest level within the industry worldwide.

The Group continued to carry out the "technological innovation" strategy via external collaboration. By way of complementing one another on competitive strengths and resources with our partners, R&D and industrialization cycles can be shortened, which in turn facilitates technological cooperation and commercialization progress, rapidly and precisely focusing on market needs and offering competitive new technological solutions to markets and customers. During the Year under Review, Wison Engineering entered into the following cooperation agreements:

- An R&D collaboration agreement was entered into with Haldor Topsoe from Denmark, a global leading heterogeneous catalysts and technology provider. On the back of Haldor Topsoe's strong R&D capabilities in catalysts and the Group's experience in process technology development, engineering and EPC services, the parties will embark on a wide range of collaboration in fields such as clean energy, development of chemicals, new technologies, engineering and market development.

- A joint development contract was entered into with the Group's long-term partner Tianjin University and Yangquan Coal Industry (Group) Co., Ltd. The parties will together work on the industrial scale-up of the ethanol technology preliminarily co-developed by Wison Engineering and Tianjin University.

- The Group is committed to the R&D of green chemical technologies, and has entered into a cooperation agreement with a domestic partner to co-develop epoxide to replace the existing obsolete and highly polluting technology. Design work for the technology's pilot plant has commenced.

Meanwhile, the Group has continued to engage in in-depth discussions with its existing partners, including Royal Dutch Shell plc, Honeywell UOP, and Clariant on the basis of existing cooperation to accurately identify market demands in line with national industry polices and energy development trends, thereby actively exploring more cooperation opportunities. Several cooperation opportunities are expected to materialize.

5. Adjustment to management structure, strengthening the internationalization of management team

The Group proactively sought an organizational layout more suited to the management system of an international engineering company and adaptive to the specific needs of its next stage of internationalization, and adjustment was made to the middle-to-senior level management structure; under the principles of simplification and efficiency, the Group pushed forward market-oriented and client-centered reforms, cultivating an innovative corporate culture and accelerating the progress towards internationalization. Meanwhile, the Company appointed new senior management members and executive directors to strengthen its corporate governance and refine the composition of the board of directors of the Company (the "Board").

In early 2017, Mr. Li Zhiyong, who has extensive experience in the field of financial operations management, was appointed as an executive director and chief financial officer by the Board. He will oversee the Group's financial operations and investor relations management. Mr. Dong Hua, who is in charge of overseas business development, was also appointed as an executive director. Both the aforementioned Directors have many years of working experience in the Group, and the Board believes that they will bring greater contributions to the Group by virtue of their extensive experience and professional competence.

Outlook

Although the uncertainties hindering global economic growth and the energy industry recovery will persist in the near future, the overall trend towards a clean and low-carbon energy structure is becoming more evident on a global scale. Emerging countries such as China and India will be an important pillar of global economic development in the next few years. In the PRC, supply-side structural reform will be further promoted as the implementation of the "13th Five-Year Plan" kicks off. National strategic opportunities, such as economic developments of the regions under the "One Belt, One Road" policy, reinforcement of environmental laws and regulations, and chemical industrial park developments, are expected to continue to bring opportunities for a new round of growth for the domestic business of the Group.

This year, on the occasion of the 20th anniversary of the establishment of Wison Engineering, the Company will reinforce the guidance under its core strategies of "market-orientation, internationalization and leadership through differentiation", gain in-depth understanding of external challenges and opportunities, integrate analysis of internal capabilities with external resources, and adjust its implementation policies and key initiatives and exert greater efforts in their implementation:

1. Market-orientation — Constantly enhance responsiveness to markets and service awareness to customers; uphold and strengthen the market-oriented operational mechanism.

   - Under the new management structure, enhance front-stage, mid-stage and back-stage resource integration capabilities and the ability to swiftly respond to customers through process streamlining and optimization of internal structure and management interface, so as to continuously meet and exceed clients' demands and be capable of providing solutions that would help realize clients' vision;

   - Closely follow development trends in cutting-edge technologies in the global energy industry and capture the country's emerging strategies and development of pivotal technologies; develop new technologies, businesses and markets in the fields of environmental protection, new materials and renewable energy, gradually achieving the diversification of businesses and markets, mitigating impacts of industry cyclical fluctuations on the Company's business;

   - Through innovations in fields of businesses, services, business models and management, create a comprehensive innovative culture and environment, bring internal innovative vigor and potential into full play and eventually build up the ability to provide innovative solutions to clients.

2. Internationalization — Stay firm on developing international markets, strengthen international cooperation with an ultimate goal to establish a world-class engineering company.

   - Divert resources to overseas business and step up the internationalization capability throughout the whole value chain;

   - Expand and strengthen the international team force for all stages in EPC and project management through the combination of internal training and recruitment; gradually increase the localization rate in project execution and dedicate efforts to promote local social responsibilities and community care;

   - Comprehensively establish international cooperation; create business partner networks covering R&D, design, procurement and construction; strengthen capabilities in global resource integration and execution control for material procurement and construction subcontracting activities.

3. Leadership through differentiation — Establish differentiated competitive edge through insistence on innovation and development.

   - Consolidate the competitive edge in technologies and workforce for the four core product lines—ethylene, MTO, natural gas reforming and coal gasification;

   - For the process technologies with market competitiveness at the forefront such as LNG, high-carbon olefins, polymer, ethanol, ethylene glycol, epoxide and base oil, gradually establish technological reserves and widely integrate internal and external resources, expedite engineering demonstration and commercialization of technologies with market potentials under the collaborative win-win principle; gain market and client recognition, enlarge market share;

   - Forge our digital design capability and promote digitalized project delivery; comprehensively enhance synergetic efficiency and design quality across disciplines, creating favorable conditions for the future design of smart factories;

   - Strengthen modular design, project execution and general project delivery capabilities in areas including cracking furnaces and other industrial furnaces, petrochemicals and oil refining. This in turn will be conducive to the competitive advantages of the Company in its leading position in terms of differentiation;

   - Improve efficiency in internal management and operations through innovative ideas, culture and mechanism; implement detailed management, and build up a more efficient, professional performance-oriented organizational culture.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2016. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016
(Expressed in RMB)

	Notes	**2016** **RMB'000**	2015 RMB'000
REVENUE	*4*	**3,041,877**	5,413,531
Cost of sales		**(2,110,644)**	(4,596,651)
GROSS PROFIT		**931,233**	816,880
Other income and gains	*4*	**590,017**	513,805
Selling and marketing expenses		**(60,616)**	(56,097)
Administrative expenses		**(208,017)**	(287,863)
Other expenses		**(816,231)**	(254,299)
Finance costs	*5*	**(283,228)**	(421,877)
Share of profit of an associate		**463**	458
PROFIT BEFORE TAX	*6*	**153,621**	311,007
Income tax	*7*	**(100,251)**	(72,491)
PROFIT FOR THE YEAR		**53,370**	238,516
Attributable to:			
Owners of the parent		**42,914**	205,106
Non-controlling interests		**10,456**	33,410
		53,370	238,516
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
— Basic and diluted		**RMB1.06 cents**	RMB5.05 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016
(Expressed in RMB)

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**53,370**	238,516
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**21,159**	3,764
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**21,159**	3,764
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**21,159**	3,764
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,529**	242,280
Attributable to:		
Owners of the parent	**64,073**	208,870
Non-controlling interests	**10,456**	33,410
	74,529	242,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in RMB)

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**983,635**	1,028,287
Investment properties		**12,976**	13,556
Prepaid land lease payments		**159,114**	163,272
Goodwill		**15,752**	15,752
Other intangible assets		**7,048**	10,372
Investment in an associate		**2,500**	2,037
Long-term prepayments		**13,996**	128,042
Deferred tax assets		**825**	–
Total non-current assets		**1,195,846**	1,361,318
CURRENT ASSETS			
Inventories		**20,241**	177,581
Gross amounts due from contract customers		**3,821,694**	4,033,219
Trade and bills receivables	*10*	**381,813**	311,209
Due from a related company		**256**	–
Due from fellow subsidiaries		**4,377**	27
Due from the ultimate holding company		**–**	87
Prepayments, deposits and other receivables		**562,632**	656,408
Pledged bank balances and time deposits	*11*	**1,106,803**	1,257,417
Cash and bank balances	*11*	**701,000**	1,253,436
		6,598,816	7,689,384
Assets classified as held for sale		**–**	116,210
Total current assets		**6,598,816**	7,805,594
CURRENT LIABILITIES			
Gross amounts due to contract customers		**542,208**	1,637,037
Trade and bills payables	*12*	**3,034,461**	3,335,388
Other payables, advances from customers and accruals		**1,114,872**	1,437,512
Interest-bearing bank and other borrowings		**426,721**	230,049
Due to a related company		**–**	78
Due to an associate		**630**	630
Dividends payable		**272,674**	272,674
Tax payable		**140,880**	100,985
Total current liabilities		**5,532,446**	7,014,353
NET CURRENT ASSETS		**1,066,370**	791,241
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,262,216**	2,152,559

	Notes	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**28,895**	24,284
Government grants		**5,144**	5,275
Total non-current liabilities		**34,039**	29,559
NET ASSETS		**2,228,177**	2,123,000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**329,809**	329,803
Share premium		**846,250**	846,077
Other reserves		**849,628**	755,086
		2,025,687	1,930,966
Non-controlling interests		**202,490**	192,034
Total equity		**2,228,177**	2,123,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. 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 2016. 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 amendments have had no significant impact on the Group's financial statements.

(b) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012–2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group.

3. OPERATING SEGMENT INFORMATION

In light of the Group's integration of resources from each existing business segment for centralized management, the segment information previously presented has been changed from 1 January 2016 onwards, both in the internal management reports adopted by the chief operating decision-makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were taken to better reflect the current operations of the Group, as well as the resources allocation and future business developments of the Group.

The Group has following reportable segments for the years ended 31 December 2016 and 2015:

— Engineering, procurement and construction ("EPC"); and

— Engineering, consulting and technical services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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, 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, 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.

Operating segments

Year ended 31 December 2016	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	**2,975,685**	**66,192**	**3,041,877**
Intersegment sales	**9,672**	**—**	**9,672**
Total revenue	**2,985,357**	**66,192**	**3,051,549**
Reconciliation:			
Elimination of intersegment sales			**(9,672)**
Revenue			**3,041,877**
Segment results	**917,705**	**13,528**	**931,233**
Reconciliation:			
Unallocated income			**590,017**
Unallocated expenses			**(1,084,864)**
Share of profit of an associate			**463**
Finance costs			**(283,228)**
Profit before tax			**153,621**
Segment assets	**4,648,742**	**120,904**	**4,769,646**
Reconciliation:			
Elimination of intersegment receivables			**(13,436)**
Corporate and other unallocated assets			**3,038,452**
Total assets			**7,794,662**
Segment liabilities	**4,428,317**	**18,108**	**4,446,425**
Reconciliation:			
Elimination of intersegment payables			**(13,491)**
Corporate and other unallocated liabilities			**1,133,551**
Total liabilities			**5,566,485**
Other segment information			
Share of profit of an associate			
Unallocated			**463**
Depreciation and amortisation			
Unallocated			**56,095**
Investment in an associate			
Unallocated			**2,500**
Capital expenditure*			
Unallocated			**4,965**

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

Year ended 31 December 2015	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	5,301,285	112,246	5,413,531
Intersegment sales	5,696	—	5,696
Total revenue	5,306,981	112,246	5,419,227
Reconciliation:			
Elimination of intersegment sales			(5,696)
Revenue			5,413,531
Segment results	804,247	12,633	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	5,084,913	132,453	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	6,142,949	17,319	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.

Geographical information

Revenue from external customers

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**1,467,478**	3,707,850
Venezuela	**1,296,525**	1,528,369
Saudi Arabia	**246,310**	170,467
United Arab Emirates	**31,564**	6,845
	3,041,877	5,413,531

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:

	2016	2015
Customer A (EPC segment)	**42.6%**	28.2%
Customer B (EPC segment)	**26.9%**	57.5%

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Construction contracts	**2,975,685**	5,301,285
Rendering of services	**66,192**	112,246
	3,041,877	5,413,531
Other income		
Government grants*	**8,995**	696
Interest income	**263,626**	394,194
Rental income	**57,296**	46,654
Others	**5,464**	7,278
	335,381	448,822
Gains		
Gain on disposal of assets classified as held for sale	**220,189**	–
Foreign exchange gains	**34,447**	64,983
	254,636	64,983
	590,017	513,805

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**20,824**	31,772
Interest on discounted bills	**262,404**	390,097
Interest on finance leases	**–**	8
	283,228	421,877

6. PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of services provided	**2,110,644**	4,596,651
Depreciation	**46,855**	72,407
Research and development costs	**116,385**	173,506
Amortisation of prepaid land lease payments	**4,158**	4,453
Amortisation of other intangible assets	**5,082**	5,368
Impairment for inventories	**2,248**	–
Impairment for gross amounts due from contract customers	**643,629**	–
Loss on disposal of items of property, plant and equipment	**973**	389
Minimum lease payments under operating leases	**16,561**	18,886
Auditors' remuneration	**4,628**	4,588
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**524,745**	539,889
Retirement benefit scheme contributions	**62,497**	57,258
Equity-settled share option expenses	**30,600**	55,365
	617,842	652,512
Foreign exchange differences, net	**(34,447)**	(64,983)

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. 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 2016 (2015: Nil).

	2016 RMB'000	2015 RMB'000
Current		
— Mainland China	**69,942**	47,433
— Elsewhere	**26,523**	24,136
Deferred	**3,786**	922
Total tax charge for the year	**100,251**	72,491

惠生工程(中國)有限公司 (Wison Engineering Limited, "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 2016 and 2015.

惠生(揚州)化工機械有限公司 ("Wison Yangzhou") was subject to 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.

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the year as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**153,621**	311,007
At the statutory income tax rates	**38,405**	77,752
Lower tax rate enacted by local authority	**12,982**	(43,392)
Effect of different tax rates of branches operating in other jurisdictions	**(63,753)**	5,194
Tax losses not recognised	**2,297**	1,007
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	**4,611**	14,734
Additional tax deduction	**(12,634)**	(13,091)
Income not subject to tax	**(894)**	–
Expenses not deductible for tax	**119,237**	30,287
Tax charge for the year	**100,251**	72,491

The share of tax attributable to an associate amounting to RMB37,000 (2015: RMB61,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

8. DIVIDENDS

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

9. 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 4,064,664,000 (2015: 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 2016 and 2015 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:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**42,914**	205,106
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**4,064,664,000**	4,064,622,000

10. TRADE AND BILLS RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**186,899**	227,941
Bills receivable	**194,914**	84,033
Impairment	**–**	(765)
	381,813	311,209

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 retention periods in the contracts. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by management.

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:

	2016 *RMB'000*	2015 *RMB'000*
Trade and bills receivables:		
Less than 3 months	**197,808**	106,960
4 to 6 months	**74,194**	33,319
7 to 12 months	**6,135**	27,849
Over 1 year	**103,676**	143,081
	381,813	311,209

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

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**765**	765
Written off	**(765)**	–
At 31 December	**–**	765

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:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**263,708**	196,204
Less than 3 months	**13,094**	11,395
4 to 12 months	**3,335**	26,862
Over 1 year	**101,676**	76,748
	381,813	311,209

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

	2016	2015
	RMB'000	*RMB'000*
Fellow subsidiaries		
舟山惠生海洋工程有限公司 ("Zhoushan Wison")	**–**	1,261
Wison Offshore & Marine Ltd. ("Wison Marine Engineering")	**–**	4,452

At 31 December 2016, certain of the Group's bills receivable of RMB20,000,000 (2015: nil) were pledged to secure general banking facilities granted to the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2016, Wison Engineering endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB2,600,000 (2015: RMB30,233,000) 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 2016 to which the suppliers have recourse was RMB2,600,000 (2015: RMB30,233,000) as at 31 December 2016.

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, 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 RMB193,600,000 (2015: RMB707,650,000). The Derecognised Bills had a maturity of six to twelve months at 31 December 2016. 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 2016, 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.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**1,728,058**	571,577
Time deposits with original maturity of less than three months	**79,745**	695,032
Time deposits with original maturity of more than three months	**–**	1,244,244
	1,807,803	2,510,853
Less: Pledged bank balances and time deposits	**(1,106,803)**	(1,257,417)
Unpledged cash and cash equivalents	**701,000**	1,253,436

At 31 December 2016, bank deposits of RMB1,095,365,000 (2015: RMB1,256,558,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2016, bank deposits of RMB11,438,000 (2015: RMB859,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 31 December 2016, the cash and bank balances of the Group denominated in RMB amounted to RMB108,178,000 (2015: RMB204,079,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

12. TRADE AND BILLS PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Less than 1 year	**1,392,366**	2,573,909
1 to 2 years	**1,276,527**	479,091
2 to 3 years	**181,905**	212,502
Over 3 years	**183,663**	69,886
	3,034,461	3,335,388

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

	2016	2015
	RMB'000	*RMB'000*
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua"))	**180**	949

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

13. SHARE CAPITAL

Shares

	2016	2015
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**4,064,690,400**	4,064,622,000

	2016	2015
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**329,809**	329,803

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

	Number of shares in issue	Share capital *RMB'000*	Share premium account *RMB'000*	Total *RMB'000*
At 1 January 2015, 31 December 2015 and 1 January 2016	4,064,622,000	329,803	846,077	1,175,880
Share options exercised	68,400	6	173	179
At 31 December 2016	**4,064,690,400**	**329,809**	**846,250**	**1,176,059**

The subscription rights attaching to 68,400 share options were exercised at the subscription price of HK$0.837 per share, resulting in the issue of 68,400 shares for a total cash consideration, before expenses, of HK$57,251 (equivalent to RMB48,366) and a share premium of HK$50,411 (equivalent to RMB42,588). An amount of RMB131,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The Group had trade receivables of RMB55,937,000 (31 December 2015: RMB59,933,000) and amounts due from contract customers of RMB951,169,000 (31 December 2015: RMB1,037,066,000) as at 31 December 2016, respectively, which have been identified as overdue in accordance with the contract terms. The Group has made an impairment provision of RMB643,629,000 for these amounts due from contract customers in the year ended 31 December 2016 (year ended 31 December 2015: nil). The Group is still in negotiation with these customers for the settlement of the outstanding balances. We have been unable to obtain sufficient audit evidence to support the provision made by management and whether any of such provision should be charged to the statement of profit or loss for the year ended 31 December 2015 or previous years. Accordingly, we were unable to satisfy ourselves regarding the appropriateness of the impairment provision against the balance of amounts due from contract customers as mentioned above and the recoverability of the remaining overdue trade receivables of RMB55,937,000 (31 December 2015: RMB59,933,000) and amounts due from contract customers of RMB307,540,000 (31 December 2015: RMB1,037,066,000) as at 31 December 2016. Any adjustments of the provision for these balances would have impact on the net assets of the Group as at 31 December 2016 and 2015 and the net profit for years ended 31 December 2016 and 2015, respectively.

Our report dated 24 March 2016 on the Group's consolidated financial statements for the year ended 31 December 2015 was also qualified for the above matter.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the "Code")*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PURCHASES, SALE AND REDEMPTION OF 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 2016.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company has complied with the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises the three independent non-executive Directors of the Company, namely, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua. Mr. Lawrence Lee is the Chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2016.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.wison-engineering.com). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Haijun, Mr. Zhou Hongliang, Mr. Li Zhiyong and Mr. Dong Hua; the non-executive Director of the Company is Mr. Cui Ying; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.