Annual Report 2023

Wison Engineering
Builds a Better World

Wison Engineering Services Co. Ltd.

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

WISON ENGINEERING

CHINA'S LEADING ENERGY AND CHEMICAL ENGINEERING EPC SERVICE AND TECHNOLOGY INTEGRATION SOLUTION PROVIDER

Contents

Corporate Information

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Hongliang *(Chief Executive Officer)*
Mr. Zheng Shifeng
Mr. Zhou Yu[(1)] *(Chief Financial Officer)*

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

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

(1) Mr. Zhou Yu was appointed as executive director and Chief Financial Officer with effect from 19 February 2024. He has been removed from the above positions on 19 April 2024.

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPANY SECRETARY

Ms. Tsang Chi Ka

AUTHORISED REPRESENTATIVES

Mr. Zhou Hongliang
Ms. Tsang Chi Ka

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKS

China CITIC Bank Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Bank of China Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
East West Bancorp, Inc

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2507
25th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.wison-engineering.com

STOCK CODE

2236

Financial Summary

Financial Summary

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**3,842,719**	4,658,780	6,279,549	5,296,064	4,367,271
Gross profit	**227,202**	(208,300)	458,797	301,202	408,227
(Loss)/profit before tax	**(202,369)**	(1,175,466)	(66,985)	(283,820)	89,775
Income tax (expenses)/ credit	**3,991**	(21,920)	(25,854)	12,309	(39,217)
(Loss)/profit for the year	**(198,378)**	(1,197,386)	(92,839)	(271,511)	50,558
Attributable to:					
Owners of the parent	**(196,122)**	(1,185,486)	(92,611)	(271,238)	50,609
Non-controlling interests	**(2,256)**	(11,900)	(228)	(273)	(51)
Earnings per share (RMB cents)					
– Basic	**(4.81)**	(29.10)	(2.27)	(6.66)	1.24
– Diluted	**(4.81)**	(29.10)	(2.27)	(6.66)	1.24

Financial Summary

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**3,982,940**	4,037,489	4,135,517	4,192,588	1,432,965
Current assets	**5,476,777**	4,906,056	5,962,904	4,665,778	4,287,999
Current liabilities	**5,188,260**	4,797,821	5,714,899	4,639,282	3,456,486
Net current assets	**288,517**	108,235	248,005	26,496	831,513
Total assets less current liabilities	**4,271,457**	4,145,724	4,383,522	4,219,084	2,264,478
Non-current liabilities	**1,822,674**	1,570,123	736,483	427,340	460,851
Net assets	**2,448,783**	2,575,601	3,647,039	3,791,744	1,803,627
Share capital	**330,578**	330,578	330,578	330,578	330,578
Reserves	**2,132,913**	2,257,475	3,317,013	3,461,490	1,473,100
Non-controlling interests	**(14,708)**	(12,452)	(552)	(324)	(51)
Total equity	**2,448,783**	2,575,601	3,647,039	3,791,744	1,803,627

Business Overview

Business Overview

REVIEW OF 2023 ANNUAL RESULTS AND OUTLOOK

MARKET AND RESULTS OVERVIEW

During the year ended 31 December 2023 (the "**Year**" or the "**Reporting Period**"), the petrochemicals market in 2023 faced multi-faceted challenges and opportunities, and went through changes because of multiple factors, such as the global economic environment, energy price fluctuations and policy adjustments. Upholding the strategy of "leading by innovation, focusing on principal operations and establishing global presence", Wison Engineering Services Co. Ltd. ("**Wison Engineering**", "**Wison**" or the "**Company**", and together with its subsidiaries, the "**Group**") gave full play to its advantages of the rapid and flexible mechanism of a private enterprise, moved forward with a pragmatic and pioneering attitude, and calmly responded to market changes. During the Reporting Period, the Company continue to expand the talent team, strengthened delicacy management, tightened risk control, enhanced its digital and modular capabilities, and consolidated its core competitiveness. In the face of new challenges and opportunities, the Company reinforced its presence in the field of energy and chemical engineering, and accelerated its business development in the field of new energy and new materials to seize opportunities and open up new markets. The Company continuously improved operation and management benefits and created value for customers. It is committed to growing into a world-class energy and chemical engineering company.

During the Reporting Period, the global economy faced multiple challenges due to mounting pressures of geopolitical tensions, supply chain issues and inflation in the global market. Against such backdrop, the global economy showed signs of recovery, albeit at varying speeds. On one hand, developed economies were recovering at relatively slow pace, mainly due to the impacts of high energy prices, inflation and interest rate hikes. On the other hand, emerging markets and developing economies, especially China, demonstrated robust resilience and recovery. Despite external pressures and internal difficulties, China's economy rebounded and grew. The government effectively facilitated stable economic growth by means of policies and measures, including fiscal stimulus, monetary policy adjustment and measures to support the real economy. The annual gross domestic product ("**GDP**") of China in the Year hit RMB126 trillion, increasing by 5.2% over the previous year. In particular, the consumer market recorded strong recovery, and became a key engine of economic growth.

Business Overview

The year 2023 was complex and volatile for the petrochemical industry. The oil price, a core indicator of the market, exerted far-reaching impacts on the whole industry with its fluctuations. The crude oil price was volatile throughout the year, and went through three phases: downward fluctuation, rapid recovery and median fluctuation. Those fluctuations had direct impacts on petrochemical companies. On one hand, high oil price drove up the production costs of companies, and cut their profit margins; on the other hand, low oil price reduced production costs but it might expose companies to the risk of revenue decline. Despite the weakening global demand and drop in crude oil price, the petrochemical industry rebounded from the bottom and grew steadily due to the gradual recovery of the Chinese economy as well as increasing demand for crude oil and various chemicals. As the international community sped up green transformation, the global refining hub was shifting eastward, and the refining capacity in the Asia-Pacific region was growing. Meanwhile, the refining structure was also changing, conducive to the transformation of oil refineries to chemical refineries. The transformation also brought more market opportunities to the energy and chemical engineering industry.

During the Reporting Period, the Group recorded a revenue of approximately RMB3,842.7 million (for the year ended 31 December 2022: approximately RMB4,658.8 million), representing a decrease of 17.5%; gross profit of approximately RMB227.2 million (for the year ended 31 December 2022: gross loss of approximately RMB208.3 million), representing a year-on-year increase of gross profit of RMB435.5 million; and loss attributable to owners of the parent company of approximately RMB196.1 million (for the year ended 31 December 2022: approximately RMB1,185.5 million). In 2023, the Group received new contracts with a total value of approximately RMB407.9 million (net of estimated VAT). As at 31 December 2023, the total value of the Company's outstanding contracts was approximately RMB23,255.8 million (net of estimated VAT), representing a decrease of 13.0% from the total value of outstanding contracts as at 31 December 2022.

BUSINESS AND OPERATIONS REVIEW

Focusing on Principal Business to Cement Energy and Chemical Markets

During the Reporting Period, Wison Engineering continuously consolidated its core business market and maintained the leadership in terms of traditional competitive products, including ethylene, cracking furnace, propane dehydrogenation ("**PDH**"), coal gasification, methanol-to-olefins ("**MTO**") and synthetic ammonia. Meanwhile, Wison Engineering further explored emerging fields and stepped up technological research and development in the new energy and new materials sectors to accelerate development of new markets. Continuous breakthroughs were made in degradable plastics ("**PGA**"), methyl methacrylate ("**MMA**"), hydrogen energy, carbon dioxide ("$\mathbf{CO_2}$") emission reduction, green coal chemical industry, butadiene and other processes and catalysts.

The Company smoothly implemented its various projects domestically and abroad. It made progress in the following major projects:

Shandong Binhua New Material's PDH plant in C3, C4 comprehensive utilisation project: The plant succeeded in commissioning and start-up in one run on 30 June 2023, and produced high-quality propylene products with a purity of over 99.6%. The project was awarded the annual "5A" quality certificate of high-quality engineering and construction project by the China National Association of Chemical Construction Industry Enterprises in 2023.

Henan Shenma's hydrogen and ammonia project: The mid-term delivery was completed up to high standards as agreed in the contract on 5 July 2023. The coal preparation plant started handling coal and launched loaded operation on 25 September 2023. The air separation plant managed to separate oxygen and nitrogen up to standards on 22 November 2023. The gasification plant passed commissioning and start-up in one run on 29 November 2023.

SP Chemicals' PS project: The mid-term delivery of units and plants was conducted in November and December 2023, and was completed by the end of December 2023.

Xinjiang Weigerui's 240,000-ton-per-year PGA resin project: The mid-term delivery of Phase I was conducted on 9 May 2023. The PBS 500 line completed revamping and relocation, and launched production on 21 December 2023.

Panjin Sanli's MMA project: The project was 84.31% completed, with design completed in general, equipment and materials on the site, construction and installation in full swing, steel structure 89% completed, equipment installation 76% completed, and process pipe welding 14.4% completed.

Turnkey project for cracking furnaces of Wanhua Chemical Group Co., Ltd.'s 1.2 million-ton-per-year ethylene plant: The design was completed, and key equipment and materials were delivered to the site as scheduled. The main structures of the cracking furnaces were installed in December 2023.

Natural-gas-to-hydrogen project in Thailand: The project was 99.25% completed, with equipment commissioning, tightness testing and purging completed. Preparations for the start-up of units are underway.

Saudi Aramco's DPCU project: The project was 63.75% completed, with design finished and under review and updating. Orders for equipment and materials have been placed, and equipment, steel structures, pipes, fittings and valves were delivered. Pipes are under prefabrication, and the steel structure of the pipe gallery modules started assembly.

Qatar's EPC4 sulphur-handling project: The project was 27.65% completed. 60% model review of the design was smoothly completed on 6 December 2023. The procurement function signed a total of 73 contracts. Temporary facilities for construction were commissioned. Civil works and pile testing were finished. Mechanical, electrical and instrumentation (MEI) and tank subcontracts were signed.

EPSS project of SIBUR's PDH2 & PP Units: The project was 33.86% completed, with the 30% and 60% 3D model reviews completed as scheduled, and first piles and basic drawings released. The contracts regarding long-lead-time equipment procurement were signed, and contract negotiations for underground pipes and first batch of above-ground pipes were finished.

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FARABI's Lab4 project in Saudi Arabia: The project was 15.60% completed, with 60% model review of the design finished. The 90% model review is about to be conducted. Equipment orders have been placed with production in progress as scheduled. Civil works are under construction as planned, and construction and installation subcontractors are organized to conduct relocation and pre-construction preparation.

Steady Enhancement in Project Management Competence

During the Reporting Period, Wison Engineering continued to pursue the strategic goal of "leading by innovation, focusing on principal operations (of chemical energy) and establishing global presence", strengthened the pre-project planning, underscored the development and application of the ECOSYS, which features delicacy management and integrated project management, throughout project implementation, and established effective communication mechanism to enhance project management competence. In respect of overseas projects, the Company stepped up business opportunity assessment and risk control, identified and effectively managed various potential risks in advance, and optimised the project management system and processes to ensure that project goals can be fulfilled on schedule. Thanks to those measures, Wison Engineering continued to consolidate and enhance its core competitiveness, laying a solid foundation for its long-term development.

Remarkable Achievement in QHSE Management

During the year 2023, the Company continued to strengthen quality, health, safety and environment ("**QHSE**") management. Following the principle of "safety first throughout the project management life cycle", Wison Engineering kept promoting the development of the QHSE management system and standardisation of health, safety and environment ("**HSE**") management on projects, and refined the management of model projects and exceptional processes. It reinforced employees' understanding of QHSE concepts and awareness of assuming primary quality and safety responsibilities. It also made continuous efforts to promote the "1+3 co-construction" in QHSE management with project builders, suppliers, construction contractors and strategic partners to create a good ecosystem of QHSE management for integration, collaboration, improvement and win-win results.

Other nine engineering, procurement and construction ("**EPC**") projects, including Henan Shenma's hydrogen and ammonia project, Xinjiang Weigerui's newly-built Phase I 240,000-ton-per-year PGA resin project, Dongming Petrochemical's 1-million-ton-per-year light hydrocarbon comprehensive utilisation project, optimisation project for CNOOC Huizhou Petrochemical's Phase II hydrogen production facility, revamping project for Junchen New Material Technology's styrene furnaces and pipe gallery in Zibo, Shandong, Shandong Binhua's 600,000-ton-per-year propane dehydrogenation (PDH) project, SRU project in Abu Dhabi, STC project of Saudi Basic Industries Corporation, and hydrogen production project in Thailand, all passed commissioning and start-up in one run. Moreover, our project management consultancy ("**PMC**") project, i.e. Guangxi Huayi's 300,000-ton-per-year soda and 400,000-ton-per-year polyvinyl chloride ("**PVC**") project at the New Chemical Materials Integrated Base in Qinzhou, passed performance assessment in September 2023. All aforesaid successful projects proved the Company's capabilities of project design, procurement as well as quality and safety management throughout the project management life cycle.

During the Reporting Period, the Company kept meticulous in-depth audits on all types of projects in the QHSE management system, thus constantly improving the Company's business capabilities and project management competence through QHSE audits. For the year 2023, we completed QHSE audits on one process package, two research and development (R&D) projects, four engineering consulting projects, six engineering design projects, seven project sites and 24 departments, the scope and depth of which all met requirements as expected.

The Company successfully passed the triennial re-certification audit of its QHSE management system by the Shanghai Audit Center of Quality System ("**SAC**") with a good rating without any non-conformity items in November 2023. The SAC spoke highly of our QHSE management system.

The Company intensified HSE management and delivered smooth and orderly HSE management in 2023. A total of 13,194,640 safe man-hours in domestic and overseas projects were delivered. All HSE management indicators were within the target control range set at the beginning of the year. For instance, the Saudi Aramco's DPCU project hit one million safe man-hours in October 2023 without any accidents incurring man-hours loss or recordable incidents. Saudi Aramco, the owner, presented a million safe man-hours medal to Wison's DPCU project management team. The case fully proved the Company's HSE management competence and level in the international engineering market.

The Company won seven exploration & design awards in 2023. For example, the Shandong Yangmei Hengtong Chemical Co., Ltd.'s 300,000-ton methanol-to-olefins project won the First Design Prize by the Shanghai Exploration and Design Association; Wanhua Chemical's 1,000,000-ton-per-year ethylene plant won the Second Design Prize from the China Petrochemical Exploration and Design Association; Xinjiang Xinlianxin Coal Head Project's 280,000-ton-per-year synthetic ammonia project won the Third Design Prize from the Shanghai Exploration and Design Association; and Zhejiang Dushan Energy Co., Ltd.'s 2.2 million-ton-per-year PTA project won the Second Project Design Prize (Industrial Category) from the China Engineering & Consulting Association.

The Company received eight consulting awards from various consulting associations in 2023. Specifically, the "Feasibility Study Report on the New Chemical Materials Project (Phase I) of Xinjiang Xinlianxin Chemical Industry Co., Ltd" won the First Prize of Shanghai Excellent Engineering Consulting Achievements; the "Feasibility Study Report on the Methanol-to-Olefins and Downstream Deep Processing Integrated Project of Guangxi Huayi Energy and Chemical Co., Ltd." won the Second Prize of Shanghai Excellent Engineering Consulting Achievements; the "Feasibility Study Report on the Coal-Based High Performance New Material Project of Jiangsu Jinkong Xinhengsheng Co., Ltd." and the "Feasibility Study Report on the 80,000-ton-per-year Melamine Project of Xinjiang Yihua Chemical Co., Ltd." won the First Prize of Henan Provincial Excellent Engineering Consulting Achievements.

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Establishing Global Presence for Full Exploration of Domestic and International Markets

With the steady recovery of the international economy, the demand for energy gradually increased, the demand for oil and gas products and chemicals continuously went up, and global investment in energy and chemicals picked up. New market opportunities began to emerge. Wison Engineering adhered to the strategy of "establishing global presence" and effectively implemented the globalisation strategy covering both domestic and international markets. During the Reporting Period, there were delays in investment, and contract review and approval of the projects followed up by the Company due to investment decisions of customers. The signing of certain contracts were postponed to early 2024. Therefore, the total value of the new contracts secured by the Company amounted to approximately RMB408 million in 2023.

In the domestic market, Wison Engineering focused on principal operations by strengthening the core products, locking in key customer business opportunities, and improving the quality of orders. During the Reporting Period, the Company fully leveraged its competitive advantages in core petrochemical and coal chemical products, tracked opportunities for a number of ethylene, MTO and other projects, and actively assisted project owners in accelerating project implementation. It signed the technology licensing agreement on Dongming Fuel and Petrochemicals Co., Ltd.'s 300,000-ton-per-year UPC pilot plant project.

At the same time, Wison Engineering developed new competitive products, especially in the field of new energy and new materials. During the Reporting Period, the Company Datang's integrated wind and solar power-to-hydrogen demonstration project in Duolun, a technical consulting contract on JISCO Honghui's emission reduction and carbon reduction industrial chain extension project, an exploration and design service contract on the hydrogen production system of CSSC's wind and solar power-to-hydrogen storage pilot test site project in Dunhuang, a technical consulting contract on the compilation of feasibility study report on the integrated 150,000-kW wind and solar power generation project in Baotou, a technical consulting contract on the new material integration-propylene value chain project, and EPC of Shanghai Waigaoqiao No. 3 Power Generation Co., Ltd.'s 10,000-ton flue gas-CO2-to-methanol pilot demonstration project.

During the Year, the Company followed up with multiple technical service projects and EPC projects, such as the methanol-to-olefins EPC of the methanol-to-olefins and downstream deep processing integrated project of Guangxi Huayi Energy and Chemical Co., Ltd., and Dongming Fuel and Petrochemicals Co., Ltd.'s 300,000-ton-per-year UPC pilot plant project. Contracts for these two projects were signed in the beginning of 2024, with a total contract amount of approximately RMB8 billion. Moreover, with the successful start-up of PGA and MMA pilot test projects, more project opportunities are yet to come.

Business Overview

Wison Engineering has been working on overseas markets for many years and accumulated rich project experience. It has established good partnerships with many international engineering companies and suppliers, and has the experience and ability to provide high-quality and differentiated services to customers in different countries and regions by giving full play to its own modular design and manufacturing advantages.

The Middle East is a key market for Wison Engineering, where the Company has deep presence for more than a decade and has established a deep foundation for business development. The Company focused on its competitive projects like ethylene and PDH/PP projects, maintained its stable partnerships with SABIC/Saudi Aramco, and engaged itself in the pre-project exchanges of SABIC/Saudi Aramco's liquid to chemicals (LTC) project. Meanwhile, the Company followed up on Chinese-funded investment projects in Qatar and Saudi Arabia, which are currently in the quotation stage. In view of the emerging renewable energy market and business opportunities arising from green hydrogen and green ammonia in the Middle East, the Company established cooperation with a number of domestic partners and international patent dealers in order to seize market opportunities in new energy and carbon capture projects.

In addition to the Middle East and other traditional chemical markets, the Company actively made its presence in emerging markets by closely following up on petrochemical, new coal chemical, new energy, new material and other projects in regions including Russia, Southeast Asia, North America and Africa. During the Reporting Period, Wison Engineering secured the preliminary consulting contract for ARPHL's refinery project in Nigeria and participated in the front-end engineering design (FEED) quotation for another PDH/PP project in Africa. A contract for the latter was signed in early 2024. The Company participated in the quotation for the alkylation project in Indonesia with a view to further expanding the incremental market space.

During the Reporting Period, Wison Engineering was awarded the process design package and front-end engineering design (PDP+FEED) contract for the CIC ethylene project in Russia and signed SIBUR Kstovo LLC's cracking furnace PDP project. As a model project, the CIC project exerted positive effects on many sets of ethylene cracking furnaces, ethylene revamping, and newly built ethylene plants and polyolefin projects that are currently under quotation and follow-up. At the same time, Wison Engineering continued to focus on renewable energy, methanol and modular construction opportunities in the Middle East, Russia and the United States. The Company will provide high-quality services to meet customer needs and lay the foundation for subsequent EPC projects.

Excellent Research and Development Capabilities for New Materials and New Processes Leading to Accelerating Commercial Implementation

It is a prevailing trend of the industry to develop and apply new technologies, such as new materials and degradable plastics, and it is also the key development direction for Wison Engineering. With R&D investment and technology accumulation throughout the years, Wison Engineering made breakthroughs in several key technologies during the Reporting Period.

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The Company participated in the development and won the EPC contract of Panjin Sanli's MMA project, the first industrialised project of new green ethylene-based MMA technology. The civil works, steel structure, equipment installation and pipelines installation were in full swing with the overall construction was 84.31% completed. The plants are to be completed and put into production in 2024. Being the first industrialised ethylene-based MMA production plants in China, the project adopts the leading olefin hydroformylation technology and the new technology of one-step oxidation and esterification of methacrolein with complete domestic intellectual property rights. Through innovative, green and sustainable technical solutions, the project effectively solves the problems of high pollution and energy consumption arising from the common processes of MMA production via acetone cyanohydrin in China. As the demonstration plants approached completion soon, many domestic owners are negotiating for technology licensing.

In terms of innovative technology development and industrialisation of degradable plastics, during the Reporting Period, the 1,000-ton pilot plant of PGA built in cooperation with Inner Mongolia Rongxin Chemical Co., Ltd. finished construction and commissioning, and produced crude products. Pilot test study is currently underway, and a commercial-scale process package is being prepared test at the same time. It is expected that the results will be ready for commercialisation and promotion by the middle of 2024.

During the Reporting Period, the new technology of catalytic ODHE to ethylene, jointly developed by the Company and the Dalian Institute of Chemical Physics, Chinese Academy of Sciences, began to be commercialised. Many projects are under preliminary feasibility study, and active efforts are made to facilitate project implementation. The technology is applicable for ethylene production via various ethane materials with significantly lower investment, energy consumption and carbon emissions than those of traditional processes. It is of ground-breaking significance to ethylene production, aligned with the global trend of using light olefin raw materials, and holds broad application prospects.

The Company proactively promoted the catalyst and complete set of technology for the oxidative dehydrogenation of butene to butadiene. The commercial plant that uses the catalyst and complete set of technology for the oxidative dehydrogenation of butene to butadiene shows outstanding operation effect, and the technology has been unanimously recognised and is leading domestically and internationally. So far, several domestic and foreign enterprises have in-depth communication with Wison Engineering, showing the promising commercialisation of the Company's technology. At the same time, the Company was committed to the optimisation and upgrading of butadiene technology, and has completed the development of a new generation of energy-saving butene oxidation and dehydrogenation catalysts and reaction technology, as well as the optimisation and development of the N-methylpyrrolidone (NMP) based butadiene extraction technology, of which, as compared with the existing butadiene production technology via butene oxidation and dehydrogenation, steam consumption is significantly reduced, energy consumption is further reduced by 30%, wastewater is reduced by 40% with further improved yield and the cost of production of tons of butadiene reduced by about RMB1,400, which marks a disruptive progress of the development of energy-saving butadiene production technology via oxidation and dehydrogenation of butene. At present, the new technology has passed the single-tube experiment and entered the promotion stage, drawing special attention from the industry. It is expected to transform the original oxidation and dehydrogenation device and significantly improve the economic performance of the device. The successful development of this new technology further maintained the Company's leading position and competitiveness in the field of butadiene technology.

Our butadiene division has been innovating the C4 separation process by using a new solvent for C4 separation and butadiene extraction. As compared to traditional processes, the new process decreases energy consumption by 26% and wastewater by over 90%, which was highly recognised by enterprises. Such technology had successfully transferred within the Year. Moreover, the Company conceived an innovative energy-efficient butene-1 separation process, which reduces energy consumption by 65% as compared to traditional fine distillation process, had also successfully transferred within the Year. All those processes and technologies boost the growth of Wison Engineering, and advance technological progress of the industry. Besides, the butadiene division is developing 1,3-propanediol catalyst and a complete process package with a new technology roadmap. If successfully developed, this technology will be very competitive, and is expected to become another major technological highlights of Wison Engineering. The Company is developing technologies related to butadiene and new materials, which will greatly enhance the technological progress and development of the industry.

During the Reporting Period, Wison Engineering was awarded 14 new patents, applied for 9 new patents, and continuously consolidated its intellectual property rights and technical reserves.

Focus on Green Energy Transformation and Disruptive Productive Forces, Promote Green and Intelligent Reengineering

It has become a general consensus for the international community to adapt to climate change through green and low-carbon transformation. Against such backdrop, Wison Engineering capitalised on rising opportunities. The Company has accelerated the rapid transformation of its business towards customer and market needs-driven. As a new energy engineering company, Wison Engineering will strive to become a leading provider for engineering and technology solutions for domestic and global energy transformation.

During the Reporting Period, Wison Engineering set up a product technology center that focuses on the exploration of new business, technologies and products. The Company actively captured and gained insights into the global trend of energy and chemical transformation, and systematically analysed the needs of and technological bottleneck in the transformation from traditional chemical industry that is driven by resources and carbon to the new energy industry that is driven by technological innovation and electricity-hydrogen coupling. Moreover, the Company kept abreast of the development of cutting-edge technologies, deepened the international cooperation in production and research on process and technology roadmaps, focused on the recruitment of technical experts and core talents specialising in electricity-hydrogen coupling, green ammonia and methanol, carbon capture and utilisation, and biomass utilisation to build up a task force to coordinate the

Business Overview

in-depth development of the technology roadmaps and solutions for deep decarbonisation of hydrogen, ammonia, methanol, and sustainable aviation fuel (SAF) etc., strove to be part of the strategic global energy transformation and national development of disruptive productive forces, and spared no efforts in creating new business and product lines dealing with services and delivery of renewable energy technology with Wison Engineering's core competitiveness.

During the Reporting Period, Wison Engineering was awarded an EPC bid winning notice regarding a demonstration project of methanol synthesis from hydrogen and CO2. It won the bid and completed the engineering design of a small-scale wind and solar-based hydrogen production pilot project (including electrolysis, electrochemical energy storage and fuel cell). In terms of early consultation, the Company secured several early consultation contracts on off-grid/grid-connected wind and solar-based hydrogen production coupled with coal chemical industry, flexible wind and solar-based ammonia production, and biomass/electricity-methanol production in Inner Mongolia, Qinghai and other regions. We have also provided many technical solutions for domestic and international customers regarding their needs and scenarios of low-carbon and green development, such as low-carbon methanol synthesis from carbon capture coupled with exhaust gas-hydrogen in an active large-scale refining and chemical integration project, methanol synthesis from carbon capture and hydrogen in a large-scale coal chemical project, solar-based hydrogen production coupled with the product chain of a specialty gas company, hydrogen storage in organic liquids, on-shore carbon capture/liquefaction/shipping of offshore gas reinjection, offshore off-grid wind-based hydrogen and ammonia production, and offshore floating liquefied hydrogen production. In collaboration with Shanghai Wison Offshore & Marine Co. Ltd., we completed the technical research on the concept design of floating green ammonia and floating green methanol products, further reinforcing our technical reserve and solution capabilities in various new energy technology roadmaps and application scenarios.

During the Reporting Period, the Company developed a dynamic multi-steady state simulation system to address the "raw material" and the characteristic of "unstable state" in the new energy industry. Equipped with its independently developed simulation models and intelligent algorithms, the system can develop solutions for whole-plant system configuration and automated optimisation solutions for green hydrogen, ammonia and methanol projects based on the hourly wind/solar power output data and various boundary conditions, and supports quick generation of whole-plant investment budget and product costs. The system serves as an efficient and intelligent tool for quick response to needs of new energy project owners, higher accuracy of systematic solutions and flexibility in comparison and selection of multiple solutions. At the same time, the new energy business partnered with external companies and universities in R&D of the energy management system (EMS).

In addition, during the Reporting Period, the Company carried out systematic analysis of EU's Fit for 55 package renewable energy directive (RED) II/III, such as international sustainability and carbon certification (ISCC) EU, renewable fuels of non-biological origin (RFNBO), recycled carbon fuels (RCF), fully communicated with third-party advisory agencies while providing early consultation services, offered full-lifecycle carbon footprint calculation to customers in the project planning stage regarding biomass collection, pre-treatment, methanol production, transportation to port refueling, and assisted customers in optimising solutions to meet the requirements of EU green energy certification and increase value-added products by iteration and refining of technology roadmaps and whole-process consumption.

Continue to Enhance Digital Design and Delivery, Accelerated Construction of the Digital Integrated Project Management System and Strengthened Delicacy Management

During the Reporting Period, we continued to advance our digital integrated design competence. The engineering data warehouse (EDW) was applied in SIBUR's project, and enabled electronic archiving of all design files with 100% accuracy of attribute matching. The quality of digital delivery was improved with significantly higher efficiency. SRU project in Abu Dhabi has completed integrated design center, incorporated data from piping and instrumentation diagram (PID), instrument boards and electricity and will complete integration of smart plant 3D ("**SP3D**") in May 2024, ensuring digital delivery up to high standards. SIBUR's and Huayi's MTO projects were planned and executed in accordance with the international capital facilities information handover specification (CFIHOS) standard and domestic standard of digital delivery for oil refining and petrochemical project GB51296 respectively, proving that the Company's digital delivery has reached top domestic level, and advanced level internationally.

In order to achieve international transformation, Wison Engineering prioritised the construction of an integrated working and control platform for project management by means of systems and electronic archiving tools. During the Reporting Period, its investment in hardware and software grew by 25% over the previous year. With ECOSYS as the core project management system for progress, cost, contract and change management, the Company connected the information flow of multiple systems, including design, material control, man-hours, office automotion (OA) and accounting. It aimed to enhance project execution competency and project management capabilities by continuously refining project applications.

During the Reporting Period, the Company integrated the budget, cost and payment features of the ECOSYS in SIBUR's project, and granted the budget for electronic archiving, control and analysis of the cash flow, contract payment and costs to ensure precise cost measurement and reliable data traceability. The documentation control collaboration management system enabled document feedback feature in the SIBUR's project, and document feedback and deliverable management features in Farabi's project. The digital construction and installation management system has been promoted and applied in many projects both domestically and in overseas to enhance the forecasting, supervision and control of construction process. The construction inspection and test plan (ITP) has been enabled via cloud so that the construction planning is aligned with quality planning, and construction acceptance inspection is synchronised with data filing.

Business Overview

The procurement and delivery of project items on schedule as per demand with quality assurance and high cost effectiveness are essential for a project to be constructed in line with set goals. During the Reporting Period, we launched the phase I application of the Wison Engineering material supply chain management system ("**WEMS**") developed based on the understanding of the needs of international companies and project owners. Currently, the system offers integrated management of procurement planning, requisition, procurement, delivery reminder, manufacturing supervision, logistics, warehousing and suppliers. The system enabled information flow, fund flow and partial workflows. During the Reporting Period, the development of phase I features was completed as scheduled, and had applied in, among others, the Dongming Phase II project, Shanghai Waigaoqiao No. 3 Power Generation Co., Ltd.'s project and Huayi's MTO project as of March 2024.

Continue Expanding Design Team and Implementing International Transformation of Organizational Capabilities and Talent Structure

In 2023, Wison Engineering adhered to the talent strategy of cultivating design talents as the priority and international and localised talents as the core. It proactively promoted the transformation of talent structure according to the rapid changes in the external market environment, expanded the international project execution team, and scientifically planned the overseas marketing team. The Company's technical and design team has exceeded 1,000 members. At the same time, we have introduced more professionals with experience in international projects, as well as foreign senior technical and managerial personnel in the countries and regions where the international projects are taking place to further improve localisation and leverage the advantages of the Company's flexible platform and mechanism. As at 31 December 2023, the Group had a total of 1,608 employees.

OUTLOOK

Looking ahead to 2024, despite increasingly complex international environment and challenges, the global economy is expected to maintain a steady recovery as a whole. However, the growth is likely to be affected by monetary policy adjustments in various countries, geopolitical risks, and continued tightness in the supply chain. As China's economy will continue to rebound and domestic demand will go up due to the effects of real estate policies and local debt replacement, the petrochemical industry will be further developed.

With continuous refining overcapacity, the business layout of the petrochemical industry will be constantly optimised in China. Refineries are actively exploring new production and operation models to extend their industrial chains and enhance their competitiveness. New refining and chemical integration projects are being planned and completed. Traditional oil refineries are also working on transformation and upgrading, bringing up their scale and level of "refining and chemical integration", and vigorously promoting "less refining and more chemical capacity". The newly added global refining capacities are pivoting eastward at faster pace, especially towards the Asia-Pacific region, which will continue to lead to growth of petrochemical capacity. Investment in oil refining and petrochemical projects keeps growing in Southeast Asia, indicating robust momentum in the region's petrochemical industry. Meanwhile, countries in the Middle East are expanding downstream investment and increasing petrochemical production capacity. Among them, well-known companies, such as Saudi

Business Overview

Aramco, are establishing more cooperation with local governments and refineries in China to invest in chemical production capacity and promote the further development of the petrochemical industry.

In 2024, Wison Engineering is committed to transforming and preparing itself for the trends and challenges of the global energy market and technologies. Based on the strategic adjustment of the Company's development coupled with opportunities of the emerging global new energy market, the Company aims to develop relevant core competitiveness, and achieve its systematic and comprehensive pivoting towards international market and new energy sector. The Company intends to transform itself from a traditional energy and chemical engineering company into a leading provider for international clean energy services so as to further enhance its brand and international influence.

By building a value cooperation ecosystem, Wison Engineering will develop new technologies and competitive products, explore new business models, and transform its businesses and make breakthroughs in the global market, customers and emerging market segments in the future. At the same time, the Company will devote itself to its core businesses and projects, and prioritise products, standardisation, digital transformation and modular development. It will enhance various technological strengths, essential competence, as well as management and coordination capabilities.

Lead by Innovation. The Company strives to build an innovation system that puts innovation in technology and project management first. The Company will continue to strengthen the research and development of independent technology, deepen cooperation on the R&D of new technology, make investment in R&D resources, talent recruitment and training, step up the management of R&D process, and improve R&D efficiency. Meanwhile, it will consolidate cooperation with world renowned patent agents regarding its competitive products, new energy, new materials, etc. to achieve win-win results. Further, it will maximise its bonding and connecting role in the commercialisation of new technologies as an engineering company, boost its core competitiveness, and strive to become a world-leading technology-based engineering company.

Focus on Principal Operations. Based on its foothold in the field of energy and chemical engineering, the Company will make full use of the advantages of existing competitive products to reinforce its presence in the market. It will optimise products, technologies and services, and improve its market share in the traditional competitive products, such as ethylene and downstream products, MTO, PDH, PTA, coal gasification, butadiene, synthetic ammonia, and industrial furnace. In the meantime, it will develop new competitive products, quicken the pace to make presence in the field of new energy and new materials, and promote the implementation of projects, laying the foundation for future sustainable development.

Business Overview

The Company will be committed to enhancing comprehensive competitiveness and strengthening its competence of design-focused EPC project management. It will improve design to reduce project costs and create value for customers. The Company will establish a globally unified procurement platform to enhance the process, reduce the costs and improve the efficiency of procurement. With a well-established resource management system for subcontractors in place, we carry out professional subcontracting of construction projects, improve on-site construction management competence, foster start-up and service capacity, and establish an efficient and robust project management system, so as to keep the safety, quality, progress and costs of the whole process under control.

Establish Global Presence. While consolidating its domestic market, the Company proactively develops overseas markets so as to ensure coordinated development of domestic and overseas markets. In addition to developing new customers, the Company will further strengthen cooperation with existing customers. The Company will leverage its experience and edge in implementing international projects. It will increase efforts to expand overseas markets, deepen presence in the Middle East and North America, and accelerate the pace to explore emerging markets including Russia, Central Asia and Southeast Asia, aiming to create new performance growth points for the Company.

As there will be both opportunities and challenges in the petrochemical market in future, Wison Engineering will continue to pay close attention to the market situation and, and make necessary adjustments to its strategies and operations in a timely manner in light of market demand and its own development to enhance its efficiency and profitability, attain sustainable development, and fully complete its internationalisation so as to reward its shareholders for their long-term support.

Management Discussion and Analysis

Management Discussion and Analysis

FINANCIAL REVIEW FOR 2023

Revenue and Gross Profit

The comprehensive revenue of the Group decreased by 17.5% from RMB4,658.8 million for the year ended 31 December 2022 to RMB3,842.7 million for the Year.

The gross profit of the Group amounted to RMB227.2 million for the Year, as compared to the gross loss of approximately RMB208.3 million for the year ended 31 December 2022.

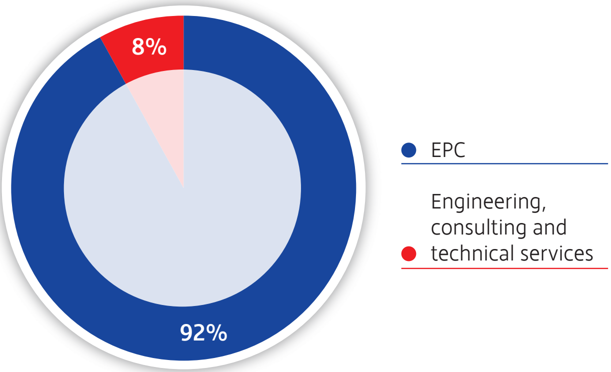
The gross profit margins of the Group for the year ended 31 December 2023 and 2022 were 5.9% and -4.5%, respectively.

Details of comprehensive revenue and gross profit breakdown by business segments are set out below:

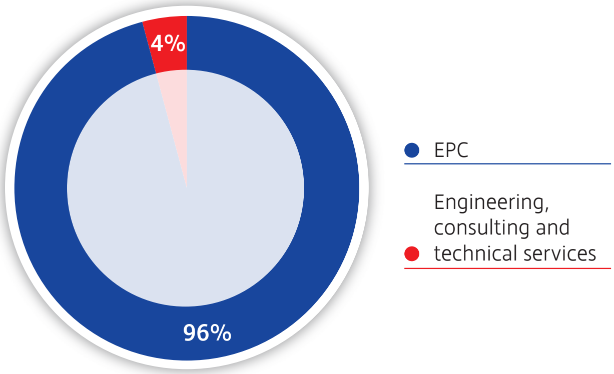
	Segment revenue		Segment gross profit		Segment gross profit margin	
	2023 (RMB'million)	2022 (RMB'million)	**2023 (RMB'million)**	2022 (RMB'million)	**2023 (%)**	2022 (%)
EPC	**3,528.5**	4,463.6	**119.5**	-256.3	**3.4%**	-5.7%
Engineering, consulting and technical services	**314.2**	195.2	**107.7**	48.0	**34.3%**	24.6%
	3,842.7	4,658.8	**227.2**	-208.3	**5.9%**	-4.5%

Management Discussion and Analysis

2023



2022



The revenue of EPC of the Group decreased by 20.9% from RMB4,463.6 million for the year ended 31 December 2022 to RMB3,528.5 million for the Year. The EPC segment recorded a positive gross profit margin of 3.4%, as compared to negative gross profit margin of 5.7% recorded in 2022. The decrease in revenue of EPC for the Year was mainly because the existing EPC projects acquired in prior years have already entered into middle to late construction phase, resulting in the decrease in revenue contribution. On the other hand, the EPC projects newly acquired in 2022 and 2023 were still in early to middle construction phase. Among them, certain projects involve heavy equipment manufacturing and are expected to be delivered gradually between 2024 to 2025. Those projects' contributions to the Year's revenue are therefore limited. The gross profit and gross profit margin increased during the Year was mainly because in 2022, the Group's performance was still affected by the COVID-19 pandemic and the corresponding control measures and restrictions, which resulted in the postponement and delay in some projects, causing additional labor costs and project costs. The impact of the above-mentioned factors has been reduced in the Year, and gross profit margin gradually returned to normal level.

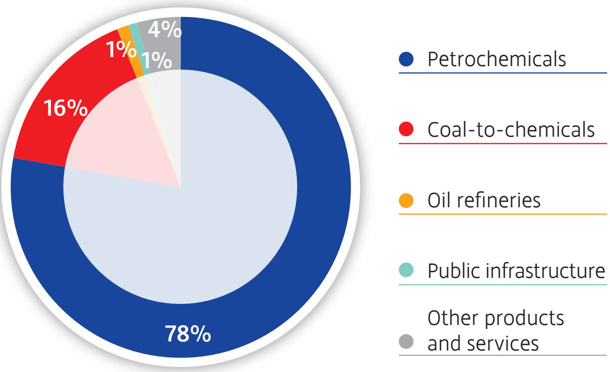
The revenue of engineering, consulting and technical services of the Group increased by 61.0% from RMB195.2 million for the year ended 31 December 2022 to RMB314.2 million for the Year. The gross profit margin of engineering, consulting and technical services of the Group increased from 24.6% for the year ended 31 December 2022 to 34.3% for the Year. The increase in revenue and gross profit of engineering, consulting and technical services was mainly because of higher contract amount with higher gross profit margin during the Year.

Management Discussion and Analysis

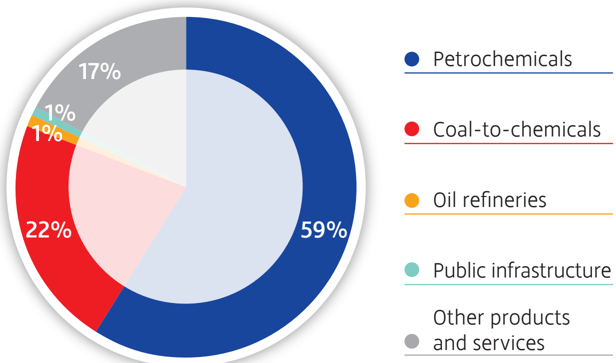
Details of comprehensive revenue breakdown by industries in which our clients operate are set out below:

	2023 (RMB'million)	2022 (RMB'million)	**Change (RMB'million)**	Change (%)
Petrochemicals	**3,014.6**	2,756.3	258.3	9.4%
Coal-to-chemicals	**615.8**	1,005.3	-389.5	-38.7%
Oil refineries	**5.9**	63.7	-57.8	-90.7%
Public infrastructure	**3.7**	51.0	-47.3	-92.7%
Other products and services	**202.7**	782.5	-579.8	-74.1%
	3,842.7	4,658.8	-816.1	-17.5%

2023



2022



The revenue of petrochemical business segment increased by 9.4%. This was mainly due to the fact that petrochemical projects located in the Middle East and South East Asia were well in progress, driving the increase in revenue in this segment.

The revenue of coal-to-chemicals business segment decreased by 38.7%. This was mainly due to the fact that a coal-to-chemicals project located in Shandong, China was postponed at the request of the project owner during the Year, resulting in decrease in revenue contribution.

The revenue of oil refineries business segment decreased by 90.7%. This was mainly because the Group's oil refinery projects located in the Middle East have entered into the completion phase and revenue contribution decreased accordingly.

The revenue of public infrastructure business segment decreased by 92.7%. The decrease in revenue during the Year was mainly due to the slowdown of progress of the Group's domestic sewage treatment project.

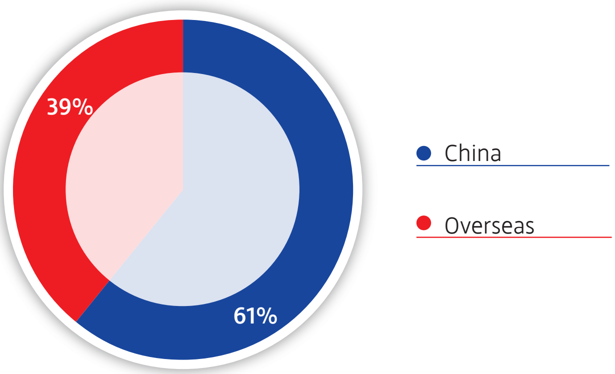
Management Discussion and Analysis

The revenue of other products and services business segment decreased by 74.1%. This is because the Group's new materials project located in Xinjiang is approaching to the end of construction stage, resulting in decrease in revenue contribution.

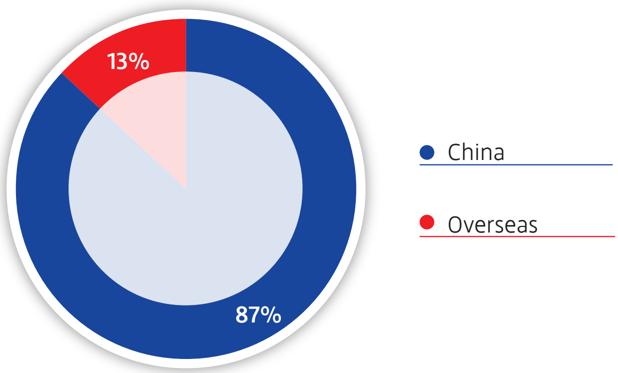
Details of comprehensive revenue breakdown by geographic locations of our projects are set out below:

	2023		2022	
	Revenue (RMB'million)	**Percentage of total revenue (%)**	Revenue (RMB'million)	Percentage of total revenue (%)
Mainland China	**2,336.8**	**60.8%**	4,042.5	86.8%
Middle East	**838.7**	**21.8%**	381.5	8.2%
Southeast Asia	**499.7**	**13.0%**	45.7	1.0%
Europe	**160.3**	**4.2%**	54.7	1.2%
America	**5.6**	**0.1%**	120.5	2.6%
Others	**1.6**	**0.1%**	13.9	0.2%
	3,842.7	**100.0%**	4,658.8	100.0%

2023 % of total revenue by geographic locations



2022 % of total revenue by geographic locations



Management Discussion and Analysis

The revenue from overseas projects of the Group accounted for approximately 39.2% and 13.2% of the total revenue for the year ended 31 December 2023 and 2022, respectively. The increase in percentage weighting of revenue from overseas projects for the Year was mainly because the Group's EPC projects located in the Middle East and Southeast Asia entered into principal construction phase.

Other Income and Gains

Other income and gains decreased by 17.3% from RMB243.9 million for the year ended 31 December 2022 to RMB201.8 million for the Year. For details, please refer to note 4 to the consolidated financial statements of the Group.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 49.1% from RMB55.4 million for the year ended 31 December 2022 to RMB28.2 million for the Year, which was mainly because the Group focused its sales and marketing resources on those projects with higher competitive advantages during the Year.

Administrative Expenses

Administrative expenses increased by 19.8% from RMB258.7 million for the year ended 31 December 2022 to RMB309.8 million for the Year, which is mainly due to increase in expenditure of management personnel and head office building maintenance during the Year.

Other Expenses

Details of other expenses breakdown are set out below:

	2023 **RMB million**	2022 RMB million
Research and development costs	**128.8**	149.0
Expenses in relation to operating lease income	**26.8**	28.6
Consultancy expenses	**0.7**	–
Provision for damages and related interest to customers and suppliers	**12.1**	–
Bad debt reversal	**-0.1**	–
Provision for asset impairment	**–**	72.3
Others	**2.2**	1.7
	170.5	251.6

Other expenses decreased by 32.2% from RMB251.6 million for the year ended 31 December 2022 to RMB170.5 million for the Year. This was mainly due to the provision for impairment loss of relevant assets of certain EPC projects during the year ended 31 December 2022.

Finance Costs

Finance costs increased by 4.2% from RMB91.2 million for the year ended 31 December 2022 to RMB95.0 million for the Year. For details, please refer to note 5 to the consolidated financial statements of the Group.

Income Tax

The Group's income tax credit for the Year amounted to RMB4.0 million, while the Group income tax expense amounted to RMB21.9 million during the year ended 31 December 2022. This was mainly due to the decrease in the Group's deferred tax assets and the resulting increase in deferred tax expenses during the corresponding period of last year.

Loss for the Year

Based on the reasons above, as well as the significant decrease in impairment losses on financial and contract assets, the loss for the year decreased significantly by 83.4% from RMB1,197.4 million for the year ended 31 December 2022 to RMB198.4 million for the Year. The Group's net profit margin for the year ended 31 December 2023 and 2022 was -5.2% and -25.7%, respectively.

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 30-90 days or the respective contracts' retention period. The Group's total trade and bills receivables decreased by approximately 7.0% from RMB611.0 million as at 31 December 2022 to RMB568.1 million as at 31 December 2023.

Financial Resources, Liquidity and Capital Structure

As at 31 December 2023, the Group's cash and bank balances amounted to RMB901.8 million, representing approximately 16.5% of the Group's current assets (31 December 2022: RMB383.6 million, representing approximately 7.8% of the Group's current assets).

The major items of Consolidated Statement of Cash Flows of the Group are set out below:

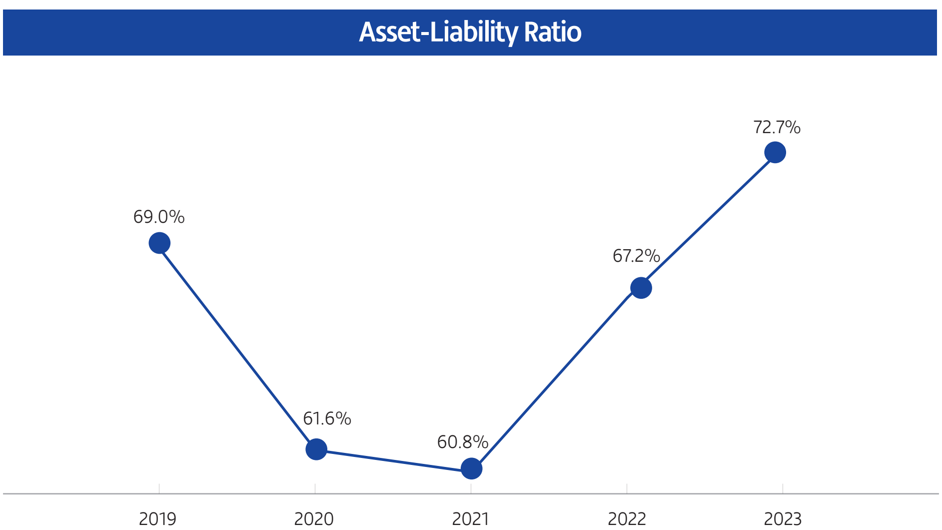
	For the year ended 31 December	
	2023	2022
	RMB million	RMB million
Net cash flows from operating activities	**651.5**	-594.9
Net cash flows from investing activities	**-10.5**	39.8
Net cash flows from financing activities	**-164.0**	-2.8

Management Discussion and Analysis

As at 31 December 2023 and 2022, the Group's pledged and unpledged cash and bank balances included the following amounts:

	As at 31 December	
	2023	2022
	RMB million	RMB million
Hong Kong Dollar	**2.5**	5.7
US Dollar	**368.7**	272.2
Renminbi	**1,103.9**	602.2
Saudi Riyal	**33.2**	82.6
Euro	**113.3**	3.9
Qatar Riyal	**0.9**	0.3
UAE Dirham	**0.6**	0.8
South African Rand	**0.5**	1.7
Japanese Yen	**43.2**	–
Russian Ruble	**14.7**	0.8

The Asset-Liability Ratio of the Group, which was derived by dividing average total liabilities by average total assets, is set out below.



Management Discussion and Analysis

Interest-bearing bank and other borrowings of the Group as at 31 December 2023 and 31 December 2022 were set out in the table follow. The short-term bank and other borrowings of the Group accounted for 48.5% of the total bank and other borrowings as at 31 December 2023 (31 December 2022: 100%).

	As at 31 December	
	2023	2022
	RMB million	RMB million
Current		
Bank loans repayable within one year		
— secured	**305.2**	258.6
— unsecured	**67.2**	249.9
Current portion of long-term bank loans — secured	**59.4**	679.1
Other loans repayable within one year — unsecured	**97.3**	–
	529.1	1,187.6
Non-Current		
Bank loans repayable after one year		
— secured	**561.0**	–

Bank and other borrowings were denominated in Renminbi, US Dollar and Singapore Dollar at 31 December 2023, while bank borrowings were denominated in Renminbi at 31 December 2022. As at 31 December 2023, bank and other borrowings amounting to RMB397.3 million (31 December 2022: RMB1,087.5 million) bore interest at fixed rates.

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

Year ended 31 December 2023	3.45% to 8.65%
Year ended 31 December 2022	3.70% to 5.88%

Management Discussion and Analysis

The maturity profile of interest-bearing bank and other borrowings as at 31 December 2023 and 2022, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
			RMB million		
31 December 2023					
Interest-bearing bank and other borrowings	–	**71.4**	**502.4**	**698.7**	**1,272.5**
31 December 2022					
Interest-bearing bank and other borrowings	989.4	2.1	181.7	–	1,173.2

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

Material Acquisitions and Disposals

During the Year, the Group had no material acquisitions and disposals.

Capital Expenditure

The capital expenditure of the Group amounted to RMB22.7 million for the Year (2022: RMB13.9 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. The Group has formulated and strictly adheres to a currency hedging policy against the foreign currency risk.

Contingent Liabilities

(1) During 2023, a sub-contractor of Wison Engineering Ltd. ("**Wison Engineering China**" a wholly-owned subsidiary of the Company) filed a claim to the People's Court of Taixing City, Jiangsu Province in Chinese Mainland against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB23,223,000.

(2) During 2023, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Pengzhou City, Sichuan Province in Chinese Mainland against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB14,540,000. As at 31 December 2023, a bank account of Wison Engineering China of RMB14,540,000 was frozen by the People's Court of Pengzhou City, Sichuan Province for property preservation.

Management Discussion and Analysis

(3) During 2023, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Pudong District, Shanghai City in Chinese Mainland against Wison Engineering China for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB4,330,000.

(4) During 2023, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Dongming District, Heze City, Shandong Province in Chinese Mainland against Wison Engineering China for an additional payment of construction costs and liquidation damages of approximately RMB8,312,000.

(5) During 2023, a sub-contractor of Wison Engineering China filed a claim to the People's Court of Pengzhou city, Sichuan Province in Chinese Mainland against Wison Engineering China for an additional payment of construction costs and liquidation damages of approximately RMB35,155,000.

As of the date of approval of the financial statements, for the cases (1), case (2) and case (3), Wison Engineering China, Jiangsu Wison and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination. The trials of case (4) and case (5) are yet to be scheduled.

For the case (5) which is without merits, the possibility for the Group being subject to additional payment claims is expected to be remote on the basis of the available evidence and legal advice obtained, the directors of the Company (the "**Directors**") are of the opinion that no additional provision is required. For the other four cases, the Directors are of the opinion that additional provision has been made.

Pledge of Assets

As at 31 December 2023, certain buildings of RMB3,475.7 million, future years right of receiving rental income from certain properties, as well as trade and bills receivables for certain projects were pledged as securities for bank facilities of the Group.

Human Resources

As at 31 December 2023, the Group had 1,608 employees (31 December 2022: 1,370 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 People's Republic of China (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. During the Year, the total staff cost of the Group (including salaries, bonuses, insurance and share option schemes) amounted to RMB702.6 million (during the year ended 31 December 2022: RMB645.7 million). The Group adopted the 2022 Share Option Scheme on 20 December 2022 as encouragement and reward for the contributions of employees to the Company.

Directors and Senior Management

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhou Hongliang (周宏亮), aged 54, is an executive Director of our Company and Chief Executive Officer of our Group. He has been an executive Director since 10 September 2013 and was appointed as the Chief Executive Officer on 31 December 2022. He is primarily responsible for the overall management, decision-making and strategy planning of our Group. 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 over 30 years of experience in the petrochemicals industry.

Mr. Zheng Shifeng (鄭世鋒), aged 56, is a senior vice president of our Group and was appointed as an executive Director of our Company on 1 September 2020. He is responsible for the execution of domestic and overseas projects. Mr. Zheng graduated from Hefei University of Technology (合肥工業大學) with a major in welding technology and equipment in 1990 and obtained a bachelor's degree in engineering. 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 and was once in charge of the execution of Group's domestic and overseas projects and international business in the Middle East and partial region of Africa. Mr. Zheng is a member of council of Shanghai Association of International Services Trade. Mr. Zheng has over 30 years of experience in the petrochemicals industry.

Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Liu Hongjun (劉洪鈞), aged 51, joined our Company as a non-executive Director on 19 February 2020 and appointed as Chairman on 5 February 2021. He obtained a bachelor degree in chemical engineering and processes and a master degree in chemical engineering from Tsinghua University in the PRC in 1996 and 1999, respectively, and an Executive Master of Business Administration (EMBA) degree from China Europe International Business School in the PRC in 2010.

Mr. Liu has over 20 years of work experience in chemical engineering industry. From July 1999 to January 2005, he worked at Shanghai Wison Chemical Engineering Co., Ltd. (上海惠生化工工程有限公司) (currently known as Wison Engineering Ltd. (惠生工程(中國)有限公司)) and held various positions, including engineer, deputy manager, manager of project department (division 1) and manager of Nanjing project department. During the period between February 2005 and October 2015, Mr. Liu served at Wison (Nanjing) Chemical Co., Ltd. (惠生(南京)化工有限公司) (currently known as Nanjing Chengzhi Clean Energy Co., Ltd (南京誠志清潔能源有限公司)) and held a number of positions, such as manager of project management department, deputy general manager, general manager, president and chairman of the board of directors. From November 2015 to November 2019, Mr. Liu served as a vice president of Wison Group Holding Limited. Since November 2015, he has been a director and president of Wison (China) Holding Company. Since November 2017, Mr. Liu has been a director of Wison Group Holding Limited. Since December 2019, he has been the president of Wison Group Holding Limited. Since January 2020, Mr. Liu has been the chairman of the board of directors of Wison (China) Holding Company. Wison Group Holding Limited is the controlling shareholder of the Company and Wison (China) Holding Company is one of its key operating subsidiaries. Currently, Mr. Liu also serves as a director at certain other subsidiaries of Wison Group Holding Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Lee (李磊), aged 59, joined our Company as an independent non-executive Director on 30 March 2015. Mr. Lee has been appointed as an executive director of Greenworks (Jiangsu) Co., Ltd. (a company listed on the ChiNext board of the Shenzhen Stock Exchange, stock code: 301260.SZ) since April 2020. During his career in the past 30 years, Mr. Lee also held several senior finance positions, serving as an independent director of Guangdong New Jingang Technology Limited (a China GEM Board Company) since August 2017 to January 2019; 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 of Hong Kong Limited (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 67, 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

Directors and Senior Management

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; and as chairman of Founder Capital Holdings Limited from October 2010 to June 2012. Mr. Tang served as supervisor, chairman and director 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 National Equities Exchange and Quotations, Stock Code: 834567) from March 2012 to October 2018. Mr. Tang was an 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) from December 2013 to July 2019. Mr. Tang has been an independent director of China CITIC Bank International Limited (中信銀行(國際)有限公司) since November 2013.

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 55, joined our Company as an independent non-executive Director on 28 December 2015. Mr. Feng has over 27 years of experience in information technology and management of consultancy services. Mr. Feng has extensive international exposure and experience in providing consulting services to multinational companies, state-owned enterprises and private enterprises.

Mr. Feng is currently served as an independent director of Shanghai Jahwa United Co., Ltd. (Stock code: 600315.SH), (which is listed on Shanghai Stock Exchange).

Prior to that, Mr. Feng had served as an executive director and the Chief Executive Officer of Man Wah Holdings Limited (Stock code: 01999.HK) from November 2020 to March 2022, the general manager of the Greater China Corporate Services Department of Microsoft (China) ("**Microsoft**") from April 2016 to September 2020. Before he joined Microsoft, he had also been a Vice President and the managing partner at IBM Global Business Consulting Services Department.

Mr. Feng graduated from the University of Science and Technology of China in 1990 with a Bachelor's degree which majors in economic management and minors in computer application software. Mr. Feng also completed the Advanced Management program of Harvard Business School in 2009.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chen Huimei (陳惠梅), aged 56, is a vice president of our Group. She is responsible for the development, planning and execution of the Company's digital application and in charge of the new energy business unit. 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, and had the qualification of senior engineer. From 1998 to 2007, Ms. Chen successively 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 department. Ms. Chen joined our Group in 2007 and successively worked at Wison Engineering as deputy manager of the quality and safety department, manager of the technical management department, manager of the research and development center and vice president of the Group, and was once in charge of technology research, engineering design, information technology as well as quality and safety. Ms. Chen has over 30 years' experience in the petrochemicals industry. She obtained an EMBA degree from the Chinese University of Hong Kong in 2015.

Mr. Li Yansheng (李延生), aged 59, is the chief engineer of our Group. 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. Mr. Li was working at Wison Engineering as an assistant to general manager and technical director in 2008. Since 2017, Mr. Li has been working at Wison Engineering as chief engineer and chief scientist. 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. In 2018, he was awarded the "Nomination Award for Meritorious Figure" from Shanghai Exploration & Design Trade Association for echoing 40th anniversary of Reform and Opening up.

Report of the Directors

Report of the Directors

The board of directors of the Company (the "**Board**") is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2023.

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.

There were no significant changes to the Group's principal activities during the Year.

BUSINESS REVIEW

Overview and Performance of the Year

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 36 to the financial statements.

Environmental Policies and Performance

The Group has established and implemented environmental management systems in accordance with the GB/T 24001-2004/ISO14001:2004 standards, and 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.

Compliance with Relevant Laws and Regulations

With respect to the compliance with laws and regulations, the Group proactively keeps itself abreast of regulatory updates. 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.

Further details of the Group's environmental, social and governance ("**ESG**") matters will be set out in the ESG Report to be published by the Company separately in due course and will be made available on the website of the Company and that of the Stock Exchange.

SUBSEQUENT EVENTS

No significant event of the Group has taken place since the end of the Year and up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate purchases of raw materials attributable to the Group's five largest suppliers accounted for approximately 17.8% of the Group's total purchases. Our purchases attributable to the single largest supplier accounted for approximately 4.1% of the Group's total purchases for the same period.

For the year ended 31 December 2023, our five largest clients, in aggregate, accounted for approximately 57.6% of our total revenue. Our revenue derived from the single largest client for the same period amounted to approximately 18.5% 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 2023.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates as at 31 December 2023 are set out in Notes 1 and 17 to the financial statements, respectively.

Report of the Directors

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 81 to 82 of this report.

FINAL DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2023 (2022: nil).

DONATIONS

No donations were made by the Group during the year ended 31 December 2023 (2022: nil).

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 29 and 30 to the financial statements and the section headed "Share Option Scheme" below, respectively.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2023 are set out in Note 38 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB1,240,204,000.

DIRECTORS

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

Executive Directors

Mr. Zhou Hongliang *(Chief Executive Officer)*
Mr. Zheng Shifeng
Mr. Zhou Yu *(Chief Financial Officer)*[(1)]

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors

Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

Note:

(1) Mr. Zhou Yu was appointed as an executive Director and the Chief Financial Officer with effect from 19 February 2024. He has been removed from the above positions on 19 April 2024.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 35 to 38 of this report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a three-year service contract with the Company, which is effective from their respective appointment dates and is subject to termination before expiry by either party giving not less than six months' notice in writing to the other. Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company which commenced from their respective appointment dates for a term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

In accordance with Article 104 of the Company's articles of association (the "**Articles of Association**"), Mr. Zhou Hongliang, Mr. Liu Hongjun, and Mr. Lawrence Lee will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of Mr. Zhou Hongliang, Mr. Liu Hongjun and Mr. Lawrence Lee 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.

REMUNERATION POLICY

The Company has established a formal and transparent policy to determine remuneration package of individual Directors and employees. The Board believes that the ability to attract, motivate and retain skilled and experienced personnel is of significant importance to the long-term successful development of the Group.

With the shareholders' approval at general meeting, the Board is authorised to fix the Directors' remuneration including directors' fee. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group. In particular, the Remuneration Committee is mandated to, among others, (i) assess, review and make recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and the senior management of the Company, (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, (iii) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, make recommendations to the Board on the remuneration packages of individual executive Directors and senior management (including benefits in kind, pension rights and compensation payments), (iv) make recommendations to the Board on the remuneration of non-executive Directors and (v) cater for the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level.

Report of the Directors

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in Note 9 to the financial statements in this report.

A review of the employees' remuneration and remuneration policy of the Group during the Year is set out in the sections headed "Management Discussion and Analysis" on page 33 of this report and "Emolument Policy" below.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section headed "Share Option Scheme" 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 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 headed "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.

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 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(a) Long position in the ordinary shares of the Company (the "Shares")

Name of Director	Company/Name of Group Company	Capacity/ Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Zhou Hongliang	Company	Beneficial owner	3,250,000(L)	0.08%
Zheng Shifeng	Company	Beneficial owner	2,250,000(L)	0.06%
Liu Hongjun	Company	Beneficial owner	1,000,000(L)	0.02%

Note:

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

Save as disclosed above, as at 31 December 2023, 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 Scheme

On 20 December 2022, a share option scheme (the "**2022 Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The 2022 Share Option Scheme shall be valid and effective for a period of ten years commencing from its adoption date. As at the date of this report, the remaining life of the 2022 Share Option Scheme is approximately eight years and nine months.

The purpose of the 2022 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees and directors of the Group and to promote the success of the business of the Group. Pursuant to the 2022 Share Option Scheme, the Board may offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full-time or part-time) or a director of the Company or any of its subsidiaries (the "**Eligible Persons**").

The maximum number of Shares which may be issued in respect of all options to be granted under the 2022 Share Option Scheme and any options or awards granted under any other schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date of the 2022 Share Option Scheme (the "**2022 Scheme Mandate Limit**") (being 407,376,780 Shares). As at 1 January 2023 and 31 December 2023, the number of options available for grant under the 2022 Share Option Scheme was 407,376,780 and 407,376,780, respectively. Therefore, as at 31 December 2023, the total number of Shares which may be issued on the exercise of options granted or to be granted under the 2022 Share Option Scheme and any other schemes is 407,376,780, representing approximately 10% of the issued share capital of the Company as at the date of this report. Option lapsed in accordance with the 2022 Share Option Scheme shall not be regarded as utilized for the purpose of calculating the 2022 Scheme Mandate Limit. Unless approved by the shareholders in a general meeting, no options shall be granted to any Eligible Person which, if exercised, would result in the number of Shares issued and to be issued in respect of all options granted under the 2022 Share Option Scheme and any options or awards granted under any other schemes to such Eligible Person (excluding any lapsed options and awards) in the 12-month period up to and including the date of offer of such options, in aggregate exceeds 1% of the Shares in issue at such date.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The exercise price of an option shall be such price as determined by the Board and notified to an option-holder which shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option, which must be a business day; and

(iii) the nominal value of the Shares.

Any option shall be vested on an option-holder according to any vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be) as specified in the offer of the option. The vesting period for an option shall not be less than 12 months. However, if an option is granted to an Eligible Person who is an employee, a shorter vesting period for such option may be determined under certain circumstances specified in the 2022 Share Option Scheme rules.

Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may be exercised after the offer of options has been vested. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by the Company and/or an option-holder before the option can be exercised.

Further details of the principal terms of the 2022 Share Option Scheme are set out in the circular of the Company dated 5 December 2022.

As at 31 December 2023, the Company had no outstanding share options under the 2022 Share Option Scheme.

No share options have been granted, exercised, cancelled or lapsed under the 2022 Share Option Scheme during the year ended 31 December 2023.

Report of the Directors

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

As at 31 December 2023, 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	3,088,782,146(L)	75.82%
Wison Group Holding Limited ("**Wison Holding**")	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Mr. Hua Bangsong[3]	Company	Interest in controlled corporation	3,088,782,146(L)	75.82%
Ms. Huang Xing[4]	Company	Interest of spouse	3,088,782,146(L)	75.82%

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 2023, there were no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under Section 336 of the SFO, or which are notified to the Company.

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 75.82% of our Company as at the date of this report, and therefore is a controlling shareholder and a connected person of our Company under the Listing Rules.

Wison (China) Holding Company ("**Wison (China) Investment**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison (China) Investment is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison Engineering Ltd. ("**Wison Engineering**") is an indirect wholly-owned subsidiary of the Company.

Shanghai Wison Offshore & Marine Co., Ltd. ("**Shanghai Wison Marine**") is an indirect subsidiary of Wison Holding. Shanghai Wison Marine is therefore an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison (Taizhou) New Material Technology Co., Ltd. ("**Wison Taizhou**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison Taizhou is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison Investment (Hong Kong) Limited ("**Wison Investment (HK)**") is an indirect wholly-owned subsidiary of Wison Holding. Therefore, Wison Investment (HK) is an associate of Mr. Hua and a connected person of our Company under the Listing Rules.

Wison Holding and its subsidiaries are referred to as "**Wison Group**" herein. Wison Holding and its subsidiaries and any companies in which Wison Holding and/or its subsidiaries can control the exercise of 30% or more of the voting power at general meetings and/or control the composition of a majority of the board of directors are referred to as "**Wison Holding Entities**".

One-off Connected Transactions

The following transactions are one-off connected transactions of our Group conducted during the year ended 31 December 2023:

1. Wison Taizhou POE Pilot Test EPC Contract

On 25 August 2021, Wison Engineering and Wison Taizhou entered into a POE pilot test EPC contract (the "**Wison Taizhou POE Pilot Test EPC Contract**"), pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its project in relation to POE Pilot Test in Taixing Economic Development Zone, Jiangsu Province, the PRC. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB19,937,000 which comprises the reimbursement of the engineering costs to be incurred by Wison Engineering and the design fees, project management fees and remuneration payable by Wison Taizhou to Wison Engineering. Besides, pursuant to the Wison Taizhou POE Pilot Test EPC Contract, Wison Engineering will be entitled to certain incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety. It is expected that the total amount of such incentive payments will be no more than RMB2,000,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB21,937,000. The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou POE Pilot Test EPC Contract depends on the actual engineering costs to be incurred by Wison Engineering, which will in turn affect the amount of final remuneration and the engineering costs related incentive payment payable to Wison Engineering, as well as the total incentive payments which Wison Engineering is entitled. For the year ended 31 December 2023, the relevant revenue recognized by the Group for this project was RMB887,000.

The Wison Taizhou POE Pilot Test EPC Contract was announced on 25 August 2021.

2. **Topside Engineering Design Contract**

On 16 November 2022, Wison Engineering and Shanghai Wison Marine entered into a topside engineering design contract (the "**Topside Engineering Design Contract**"), pursuant to which Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design of the Marine XII Congo LNG Project. The Topside Engineering Design Contract shall take retrospective effect from 8 August 2022. The total contract price payable by Shanghai Wison Marine to Wison Engineering under the Topside Engineering Design Contract is expected to be no more than RMB45,000,000, which represents (i) the design fees payable by Shanghai Wison Marine to Wison Engineering and (ii) out-of-pocket expenses to be incurred by Wison Engineering. The final total amount payable to Wison Engineering by Shanghai Wison Marine under the Topside Engineering Design Contract depends on (a) the actual labour costs to be incurred by Wison Engineering, which will in turn affect the amount of final design fees, and (b) the out-of-pocket expenses to be actually incurred by Wison Engineering. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Topside Engineering Design Contract will not result in the final total amount receivable exceeding RMB45,000,000.

For the year ended 31 December 2023, the relevant revenue amount recognized by the Group under the Topside Engineering Design Contract was RMB37,422,000.

The Topside Engineering Design Contract was announced on 16 November 2022.

3. **Entrustment Guarantee Agreement**

On 22 December 2022, Wison Engineering (as the entrusted guarantor) and Wison Holding (as the guarantor) entered into an entrustment guarantee agreement (the "**Entrustment Guarantee Agreement**") in relation to a parent company guarantee (the "**Guarantee**") provided by Wison Holding for Wison Engineering in favour of Zapsibneftekhim LLC, which provides assurances for the fulfilment of Wison Engineering's obligations arising under and in connection with certain engineering, procurement and site services contracts entered into between Wison Engineering and Zapsibneftekhim LLC. Pursuant to the Entrustment Guarantee Agreement, Wison Engineering shall pay a guarantee fee to Wison Holding calculated based on 0.5% per annum of the total principal amount of the guarantee liability stated in the Guarantee. The guarantee fee rate is determined with reference to the annualized rate and cost of the Guarantee. The maximum guarantee fee is RMB30,150,000. The term of the Entrustment Guarantee Agreement commences on 1 January 2023 and expires on 31 December 2028.

For the year ended 31 December 2023, the amount of guarantee fee payable by Wison Engineering under the Entrustment Guarantee Agreement was RMB5,025,000.

The Entrustment Guarantee Agreement was announced on 22 December 2022.

4. **EPCIC Stage Topside Engineering Design Contract**

On 18 May 2023, Wison Engineering and Shanghai Wison Marine entered into a topside engineering design contract (the "**EPCIC Stage Topside Engineering Design Contract**"), pursuant to which Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design for EPCIC stage of the Marine XII Offshore FLNG Project.

The total contract price payable by Shanghai Wison Marine to Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is currently expected to be no more than RMB120,000,000, which represents the costs expected to be incurred by Wison Engineering (including but not limited to salaries and overtime pay of its personnel, domestic travel expenses, statutory benefits, insurance expenses, transportation and accommodation costs, management fee, profits and various taxes). Besides, pursuant to the EPCIC Stage Topside Engineering Design Contract, Wison Engineering will also be entitled to certain incentive payments from Shanghai Wison Marine for efficient delivery of works. It is expected that the total amount of such incentive payments will be no more than RMB1,500,000. Therefore, the total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is expected to be RMB121,500,000.

For the year ended 31 December 2023, the relevant revenue amount recognized by the Group under the EPCIC Stage Topside Engineering Design Contract was RMB84,433,000.

The EPCIC Stage Topside Engineering Design Contract was announced on 18 May 2023 and was approved by independent shareholders of the Company at the extraordinary general meeting held on 30 June 2023.

Continuing Connected Transactions

For the financial year ended 31 December 2023, all the continuing connected transactions (the "**Continuing Connected Transactions**") have not exceeded their respective annual caps:

1. **2023 Property Leasing Framework Agreement**

On 22 December 2022, Wison Engineering entered into a new property leasing framework agreement (the "**2023 Property Leasing Framework Agreement**") with Wison Holding (for itself and on behalf of the Wison Holding Entities) to renew the 2020 Property Leasing Framework Agreement which expired on 31 December 2022. Similar to the terms under the 2020 Property Leasing Framework Agreement, the 2023 Property Leasing Framework Agreement covers and governs the leasehold relationship between the parties under any future lease arrangements to be entered into between Wison Engineering (as landlord) and the relevant Wison Holding Entities (as tenants) in relation to the leases of and the provision of property management services for certain premises located at No. 699 Zhongke Road, Pudong New District, Shanghai, the PRC during the term of the agreement. The 2023 Property Leasing Framework Agreement shall be for a term of three years commencing from 1

Report of the Directors

January 2023 and expiring on 31 December 2025, and the transactions contemplated thereunder are subject to the annual caps of RMB41,000,000, RMB45,000,000 and RMB48,000,000 for the year ended 31 December 2023 and the years ending 31 December 2024 and 2025, respectively.

The 2023 Property Leasing Framework Agreement was announced on 22 December 2022.

On 5 December 2023, the Company entered into a supplemental agreement with Wison Holding to revise annual caps for the amounts payable by the relevant Wison Holding Entities to Wison Engineering under the 2023 Property Leasing Framework Agreement for the two years ending 31 December 2024 and 2025 to RMB60,000,000 and RMB60,000,000, respectively. The supplemental agreement shall be effective from 1 January 2024. The 2023 Property Leasing Framework Agreement (as revised) will expire on 31 December 2025. The supplemental agreement was announced on 5 December 2023.

The aggregate rental, property management fees, utility charges and charges for conference facilities payable to Wison Engineering under the 2023 Property Leasing Framework Agreement for the year ended 31 December 2023 were RMB37,016,000.

2. **Engineering Construction Services Framework Agreement**

On 30 October 2020, the Company and Shanghai Wison Marine entered into an engineering construction services framework agreement (the "**Engineering Construction Services Framework Agreement**"), pursuant to which relevant members of the Shanghai Wison Marine Group (being Shanghai Wison Marine and its subsidiaries and associates) may, following the principal terms of the Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the Engineering Construction Services Framework Agreement. Pursuant to the Engineering Construction Services Framework Agreement, the Shanghai Wison Marine Group should provide modularized pre-fabrication and engineering construction services. The Engineering Construction Services Framework Agreement has a term of three years commencing from 1 January 2021 to 31 December 2023. The contract sums contemplated under the Engineering Construction Services Framework Agreement are subject to the annual cap of RMB1,750,000,000 for each of the three years ended and ending 31 December 2021, 2022 and 2023. The pricing and terms of each particular project contemplated under the Engineering Construction Services Framework Agreement shall be determined in the ordinary and usual course of business on normal commercial terms and on an arm's length basis.

The aggregate contract sums entered into and the procurement cost incurred by the Company during the year ended 31 December 2023 was nil.

The Engineering Construction Services Framework Agreement was announced by the Company on 30 October 2020 and was approved by independent shareholders of the Company at the extraordinary general meeting held on 30 November 2020.

3. **2023 Wison Holding Service Agreement**

On 22 December 2022, the Company entered into a service agreement with Wison Holding (the "**2023 Wison Holding Service Agreement**") to renew the 2020 Wison Holding Service Agreement which expired on 31 December 2022. Similar to the terms under the 2020 Wison Holding Service Agreement, the Group shall provide to Wison Group with consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the business operations of Wison Group, and Wison Group shall provide to the Group with information technology services and legal and compliance services under the 2023 Wison Holding Service Agreement. The term of the 2023 Wison Holding Service Agreement commenced on 1 January 2023 and expires on 31 December 2025. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administration expenses actually incurred. The fees shall be payable quarterly in cash. The annual caps for the fees receivable by the Group from Wison Group under the 2023 Wison Holding Service Agreement are RMB20,000,000, RMB20,000,000 and RMB20,000,000 for the year ended 31 December 2023 and the years ending 31 December 2024 and 2025, respectively, and the annual caps for the fees payable by the Group to Wison Group under the 2023 Wison Holding Service Agreement are RMB18,000,000, RMB19,800,000 and RMB21,780,000 for the year ended 31 December 2023 and the years ending 31 December 2024 and 2025, respectively.

For the year ended 31 December 2023, the service fee revenue recognized by the Group from Wison Group and the service fee incurred by the Group from Wison Group was RMB3,548,000 and RMB13,147,000, respectively.

The 2023 Wison Holding Service Agreement was announced on 22 December 2022.

4. **Engineering Design Framework Agreement**

On 22 September 2023, the Company (for itself and on behalf of its subsidiaries) entered into an engineering design framework agreement with Wison Holding (for itself and on behalf of the Wison Holding Entities) (the "**Engineering Design Framework Agreement**"), pursuant to which the Group shall, following the principal terms of the Engineering Design Framework Agreement, from time to time provide to the Wison Holding Entities (i) engineering design services in oil, gas and petrochemical areas in relation to the business operations of the Wison Holding Entities from time to time and (ii) any other relevant advice and assistance as may be agreed upon by the parties.

The Engineering Design Framework Agreement will expire on 31 December 2025 and the transactions contemplated thereunder will be subject to the proposed annual caps of RMB260,000,000, RMB260,000,000 and RMB260,000,000 for the year ended 31 December 2023 and the years ending 31 December 2024 and 2025, respectively.

Report of the Directors

The aggregate amounts payable by the Wison Holding Entities under the Engineering Design Framework Agreement for the year ended 31 December 2023 were RMB123,551,000.

The Engineering Design Framework Agreement was announced on 22 September 2023 and was approved by independent shareholders of the Company at the extraordinary general meeting held on 31 October 2023.

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 transactions 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.

Details of the related party transactions of the Group during the year ended 31 December 2023 are set out in Note 31 to the financial statements. During the year ended 31 December 2023, certain related party transactions set out in Notes 31(a)(i), 31(a)(ii), 31(a)(iii), 31(a)(iv), 31(a)(v), 31(a)(vi), 31(a)(viii) and 31(a)(ix), are regarded as continuing connected transactions or connected transactions of the Group, under Chapter 14A of the Listing Rules.

In respect of the connected transactions and continuing connected transactions conducted during the year ended 31 December 2023, the Company has complied with the disclosure requirements under the Listing Rules.

EQUITY-LINKED AGREEMENTS

Other than the 2022 Share Option Scheme as disclosed under the section headed "Share Option Scheme" 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, although there are no restrictions against such rights under the laws in the Cayman Islands.

PURCHASE, 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 2023.

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 6 to 7 of this report.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2023 are set out in Note 26 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 scheme for eligible employees, details of which are set out under the section headed "Share Option Scheme" above.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 3 to the financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, 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 brought 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, based on the information that is publicly available to the Company and to the knowledge of the Directors, 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 2023.

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
Zhou Hongliang
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2024

Corporate Governance Report

Corporate Governance Report

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are certain principles of corporate governance as adopted by the Company during the year ended 31 December 2023.

The Board is of the view that throughout the Year, the Company applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix C1 to the Listing Rules.

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 directors as at the date of this report are:

Executive Directors

Mr. Zhou Hongliang *(Chief Executive Officer)*
Mr. Zheng Shifeng

Non-executive Director

Mr. Liu Hongjun *(Chairman)*

Independent Non-executive Directors

Mr. Lawrence Lee
Mr. Tang Shisheng
Mr. Feng Guohua

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 35 to 38 of this report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Corporate Governance Report

The Directors do not have any financial, business, family or other material/relevant relationships with one another.

Mr. Zhou Hongliang has entered into a service contract with us for a term of three years commencing from 10 September 2022 and shall continue thereafter unless terminated by not less than six months' written notice. Mr. Zheng Shifeng has entered into a service contract with us for a term of three years commencing from 1 September 2023 and shall continue thereafter unless terminated by not less than six months' written notice. Mr. Liu Hongjun has entered into a letter of appointment with our Company for a term of three years commencing from 19 February 2023 unless terminated by three months' written notice or in certain circumstances in accordance with the terms of his letter of appointment. Each of 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 March 2024, 7 December 2021 and 28 December 2021, 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. A retiring director is eligible for re-election.

Under the service contracts, our executive Directors are entitled to aggregate annual salaries of approximately RMB5.03 million, plus a discretionary bonus as determined by the Board and our Remuneration Committee. Since 1 January 2024, Mr. Zheng Shifeng's monthly remuneration has been adjusted from RMB120,900 to RMB130,000. Mr. Liu Hongjun is not entitled to any director's fee for his appointment as non-executive Director. The basic annual remuneration payable to each of our independent non-executive Directors has been adjusted from HK$240,000 to HK$336,000 since 1 March 2024. The remuneration of the Directors is determined with reference to their duties, responsibilities and experience, and prevailing market conditions. Details of the remuneration of the Directors for 2023 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. Tsang Chi Ka. In compliance with Rule 3.29 of the Listing Rules, Ms. Tsang has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2023.

Each of the Directors (namely, Mr. Zhou Hongliang, Mr. Zheng Shifeng, Mr. Liu Hongjun, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua) attended various trainings in 2023, including the training on notifiable and connected transactions, updates on disclosure requirements and case studies on the Stock Exchange actions on issuers as part of their professional 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.

Code provision C.5.1 in Part 2 of the Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board committee meetings, reasonable notice is generally given. Any Director can give notice to the Chairman or the company secretary if he intends to include matters on the agenda of a Board meeting. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient details about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors. Procedures have also been agreed by the Board to enable board members to seek independent professional advice at the Company's expense. The procedures in place are reviewed on an annual basis and considered as effective.

In 2023, the Board held eight meetings. A total of 38 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2022 annual report, 2023 interim report, change of principal place of business in Hong Kong, revision of annual caps for continuing connected transactions and approval of connected transactions and continuing connected transactions. The Board also considered the Company's compliance with the Code generally.

Corporate Governance Report

The table below sets out the details of Board meetings and general meetings attendance of each Director during the year ended 31 December 2023.

Director	Board meeting	General meeting
Zhou Hongliang	8/8	3/3
Zheng Shifeng	8/8	3/3
Liu Hongjun	8/8	3/3
Lawrence Lee	8/8	3/3
Tang Shisheng	8/8	2/3
Feng Guohua	8/8	2/3

For the year ended 31 December 2023, the Company convened one annual general meeting and two extraordinary general meetings. In addition, a meeting between the Chairman and the independent non-executive Directors without the presence of other Directors was held.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out under code provision A.2.1 in Part 2 of the Code, reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in this corporate governance report. It plays a central supportive and supervisory role in the Company's corporate governance duties.

The governance framework adopted by the Company emphasizes effective risk management and internal control systems, accountability to shareholders, transparency in reporting and compliance with relevant rules and regulations. Such framework serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

The Company recognizes that board independence is critical to good corporate governance and board effectiveness. The participation of independent non-executive Directors in the Board brings independent and objective judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders have been duly considered.

INDEPENDENCE OF THE BOARD

To ensure independent views and input are available to the Board, the following mechanisms have been established by the Company:

(a) **Composition of the Board and Board committees:** The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. Apart from that, independent non-executive Directors shall be appointed to other Board committees as far as practicable.

(b) **Independence assessment:** The Nomination Committee must strictly adhere to the nomination policy and any other relevant policies of the Company and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. Each independent non-executive Directors is also required to inform the Company if there is any change in his/her own personal particulars that may materially affect his/her independence. The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules.

(c) **Professional advice:** Directors may seek further information from the management on the matters to be discussed at board meetings. They may also seek assistance from the Company's company secretary and, where necessary, obtain independent advice from external professional advisers at the Company's expense.

(d) **Conflicts management:** Directors shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has or is deemed to have a material interest.

Corporate Governance Report

(e) **Meetings with the Chairman:** The Chairmen of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

BOARD COMMITTEES

The Company has three principal Board committees, namely 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.

The members of the Audit Committee, the Nomination Committee and the Remuneration Committee are all independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee has three members. Mr. Lawrence Lee is the chairman of the committee and the other two members are Mr. Feng Guohua and Mr. Tang Shisheng. All members of the Audit Committee are independent non-executive Directors.

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 2023, the Audit committee held five meetings, at which a total of 17 proposals were considered, including proposals for the consideration of the Company's 2022 annual report, 2023 interim report, the appointment of auditors for 2023 and approval of connected transactions and continuing connected transactions of the Company. The Audit Committee also assessed the risk management and internal control measures and the effectiveness of the internal audit function of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2023.

Director	Number of meetings requiring attendance	Number of meetings attended in person
Lawrence Lee	5	5
Tang Shisheng	5	5
Feng Guohua	5	5

Nomination Committee

The Nomination Committee has three members. Mr. Tang Shisheng is the chairman of the committee and the other two members are Mr. Feng Guohua and Mr. Lawrence Lee. All members of the Nomination Committee are independent non-executive Directors.

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.

Nomination Process

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company.

In recommending to the Board for the appointment of a new Director, the Nomination Committee performs in accordance with the following procedures and process as set out in the Nomination Policy:

(i) the Nomination Committee will, taking into consideration the current composition, diversity and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(ii) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from shareholders of the Company;

(iii) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(iv) upon considering whether a candidate is suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(v) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(vi) the Board will have the final authority on determining the selection of nominees.

Board Diversity Policy

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions concerning the diversity of board members. The Board Diversity Policy sets out the approach adopted by the Board regarding the diversity of Board members, and the implementation and effectiveness of the Board Diversity Policy are reviewed by the Board on an annual basis.

Corporate Governance Report

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, 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.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. Appropriate emphasis on maintaining gender diversity has also been placed in the reviews of board composition, board diversity and succession planning to ensure a pipeline of potential successors in achieving gender diversity. In particular, the Nomination Committee has formulated a gender diversity plan for the Board to recommend the appointment of at least one female Director at the election of the Board in 2024. The Board intends to identify suitable female candidate(s) with a view to appointing one female Director no later than 31 December 2024.

As at 31 December 2023, the Group had approximately 1,608 employees (including senior management), with approximately 65.1% male and 34.9% female. The Company currently has two senior management members, with 50% male and 50% female. The Company has also taken, and will continue to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. For further details of gender ratio, please refer to the Group's ESG Report to be published separately.

Nomination Criteria

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.

In 2023, the Nomination Committee held one meeting at which a total of five proposals were considered, including proposals for assessment of the independence of independent non-executive Directors and re-election of directors.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the year ended 31 December 2023.

Director	Number of meeting requiring attendance	Number of meeting attended in person
Tang Shisheng	1	1
Feng Guohua	1	1
Lawrence Lee	1	1

Remuneration Committee

The Remuneration Committee has three members. Mr. Feng Guohua is the chairman of the committee and the other two members are Mr. Lawrence Lee and Mr. Tang Shisheng. All members of the Remuneration Committee are independent non-executive Directors.

The Remuneration Committee has adopted the model code described in code provision E.1.2(c)(i) in Part 2 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 2023, the Remuneration Committee held one meeting, at which a total of three proposals were considered, including proposals for the remuneration and terms of service contracts of executive Directors, assessment of performance of the executive Directors, as well as review and approval of performance-based remuneration by reference to corporate goals and objectives.

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the year ended 31 December 2023.

Director	Number of meeting requiring attendance	Number of meeting attended in person
Feng Guohua	1	1
Lawrence Lee	1	1
Tang Shisheng	1	1

For the year ended 31 December 2023, the number of senior management (excluding Directors) whose remuneration fell within the following band is as follows:

RMB1,500,001 to RMB2,000,000	2

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

CORPORATE GOVERNANCE FUNCTIONS

Risk Management and Internal control

The Board is responsible for ensuring that the Company establishes good corporate governance practices and procedures. The Board also has the overall responsibility for evaluating and determining the nature and extent of the risks (including but not limited to material risks relating to ESG) it is willing to take in achieving the Group's strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness.

Corporate Governance Report

The Company has established and maintained the risk management system and internal control system according to the Corporate Risk Management Framework (企業風險管理框架) published by the Committee of Sponsoring Organizations of the Treadway Commission. 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 and ad hoc risk assessments were conducted and internal control systems were reviewed annually to cover the period since the previous annual review and a refined risk management system was adopted to identify, assess and minimize risks. All these measures can provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Company has a clear organizational structure that, to the extent required, delegates the day-to-day responsibility for the formulation and implementation of procedures and monitoring of risk. Processes used to identify, evaluate and manage significant risks and processes used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects are mainly carried out in accordance with the Group's various manuals, regulations and procedures, namely the "Risk Management Manual", "Regulations of Initial Risk Management of Engineering Projects" and "Procedures for Implementation of Risk Management of Engineering Projects".

The main features of the risk management and internal control systems of the Company are comprehensive risk management which covers the entire business process of the Company and penetrates full-process control and monitoring. The effectiveness of the relevant systems in each year is confirmed through regular and ad hoc risk identification, risk assessment and risk response and follow-up work conducted by the management and business departments and each engineering project on an annual basis. The Company has established its internal audit function to carry out examination and evaluation on the review process and results, and follow up on the progress of improvement after the examination. The examination and evaluation results, recommendation for improvement and the progress of improvement in terms of risk management are then reported to the Board and the Audit Committee.

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 the risk management system and reasonably ensured the effective operation of the risk management and internal control systems in order to safeguard the legal interest of the investors and protect the Company's assets.

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. The Board considered the existing systems to be effective and adequate.

Disclosure of Inside Information

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

ANTI-CORRUPTION POLICY

The Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy to assist employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary.

We will review the anti-corruption policy on a regular basis and report any sentenced cases to the legal and compliance department of the Company.

WHISTLEBLOWING POLICY

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopted the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

We will review the whistleblowing policy on a regular basis and report any suspected cases to the legal and compliance department of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 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 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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 78 to 80 of this report. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the 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 2023, no material weakness

Corporate Governance Report

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, internal audit and financial reporting function, as well as those relating to the Company's ESG performance and reporting.

COMPANY SECRETARY

Ms. Tsang Chi Ka has been appointed as the company secretary of the Company on 18 February 2021. She is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters.

Ms. Tsang confirmed that she has attended sufficient professional training as required in accordance with Rule 3.29 of the Listing Rules during the Year.

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 services to the Group in 2023.

For the year ended 31 December 2023, the external auditors received the following remuneration for audit and non-audit services provided to the Group:

	RMB
Audit services provided by Ernst & Young	4,960,000
Audit services provided by other local auditors	1,017,000
Non-audit services	
— Agree-upon procedures on preliminary annual result announcement provided by Ernst & Young	50,000
— Auditor's letter on the continuing connected transactions for the Year provided by Ernst & Young	100,000
— Tax consulting service provided by Ernst & Young Advisory	35,000
	6,162,000

DIVIDEND POLICY

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time in general meeting declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company.

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company.

The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. The Board may also pay half-yearly or at other suitable intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit. Any dividend unclaimed shall be forfeited and shall be returned to the Company in accordance with the Articles of Association and all applicable laws and regulations.

The Board will review the dividend policy from time to time and may adopt changes as appropriate at the relevant time.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at Shareholders' meetings

There is no provision allowing shareholders to make proposals or move resolutions at the annual general meetings (the "**AGMs**") under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for shareholders to convene an EGM" set out below.

Corporate Governance Report

Procedures for shareholders to convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Company Secretary for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM. Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (Room 2507, 25th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong) for the attention of the Company Secretary. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda. The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong.

If the Requisition is found to be proper and in order, the Board will convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within two months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM. If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send their enquiries or requests to the following:

Address: 633 Zhongke Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai 201210, China
Email: ir@wison.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

SHAREHOLDERS COMMUNICATION POLICY

The Company is committed to promoting and maintaining transparent, accurate and open communication with its shareholders and other stakeholders. It has established a shareholders communication policy (the "**Shareholders Communication Policy**") to streamline policies and procedures for provision of appropriate and timely information about the Company to the shareholders, as well as for them to engage actively with the

Company and to exercise their rights as shareholders in an informed manner. According to the Shareholders Communication Policy, information of the Company shall be communicated to its shareholders mainly through annual reports, interim reports, annual general meetings and other general meetings that may be convened, as well as other publications and corporate communications on the website of the Company and the website of the Stock Exchange.

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

All Directors (including non-executive Directors) and the external auditor of the Company also attended the 2023 annual general meeting of the Company held on 9 June 2023 to solicit and understand the views of shareholders and stakeholders and to answer questions raised by them.

The Board regularly reviews the implementation and effectiveness of the Shareholders Communication Policy to ensure that it reflects current best practices in communications with the shareholders and the investment community. The most recent review was conducted in March 2024 and the effectiveness of the Shareholders Communication Policy was confirmed.

CONSTITUTIONAL DOCUMENTS

On 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix A1 to the Listing Rules. On 28 March 2023, the Board proposed to make certain amendments to the Articles of Association for the purpose of, among others, (i) conform with the Core Shareholder Protection Standards which are set out in Appendix A1 to the Listing Rules; (ii) allow general meetings to be held as a hybrid meeting where shareholders may attend by electronic means in addition to a physical meeting, or as an electronic meeting held and conducted wholly and exclusively by virtual attendance and participation by Shareholders by means of electronic facilities; (iii) bring the Articles of Association in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (iv) incorporate certain housekeeping amendments where it is considered desirable and to better align the wordings with those of the Listing Rules and the applicable laws of the Cayman Islands, as appropriate.

On 9 June 2023, a special resolution was passed at the AGM to approve the proposed amendments and the adoption of the Second Amended and Restated Articles of Association. The amended Articles of Association is available on the website of the Company and the website of the Stock Exchange.

Independent Auditor's Report

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To the shareholders of Wison Engineering Services Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Wison Engineering Services Co. Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 204 which comprise the consolidated statement of financial position as at 31 December 2023, 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 notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("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 Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and measurement The Group provides engineering, procurement and construction management services. Revenue from construction contracts is recognised using the input method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract, which requires significant management estimates. Relevant disclosures are included in notes 4 and 6 to the consolidated financial statements.	Our procedures in relation to the contract costs and contract revenues recorded under the percentage-of-completion method by the Group included: (i) discussing the status of significant projects in progress with management and assessing management's estimates of the total budget of contract costs and forecast costs to completion, taking into account the historical records of such estimates; (ii) reviewing samples of the construction contracts and variation orders to evaluate the Group's judgement in identifying the contract and performance obligations, and determining the transaction price considering the variable consideration; (iii) checking the related project documents, such as invoices, contracts with subcontractors, variation orders between the Group and subcontractors and the independent surveyor's assessment on the progress of the work performed by the subcontractors for the significant projects; (iv) testing on a sample basis the actual costs incurred on construction works during the reporting period and performing cut-off testing procedures to check whether costs had been recognised in the appropriate period; and (v) recalculating the revenue recognised by the Group based on the estimated progress of the construction works.

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Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets As at 31 December 2023, trade receivables and contract assets of the Group amounted to RMB1,070,771,000 and RMB2,171,402,000, respectively. As at 31 December 2023, provisions for impairment of RMB597,055,000 and RMB448,410,000 were made for trade receivables and contract assets, respectively. The expected credit loss assessment of trade receivables and contract assets involves management's significant judgement and estimation, such as those regarding the existence of disputes, historical payment record, forward-looking factors and any other available information that may impact the estimated expected credit losses. Relevant disclosures are included in notes 4, 20 and 22 to the consolidated financial statements.	Our procedures in relation to the recoverability of trade receivables and contract assets included (i) assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and contract assets, and the Group's granting of credit terms and contract terms relating to billing milestones; (ii) evaluating the Group's provisions for trade receivables and contract assets by assessing the cash settlements from customers subsequent to the year end, the existence of disputes, historical payment records, historical credit loss experience and forward-looking factors; (iii) testing on a sample basis the accuracy of ageing categories of trade receivables based on relevant invoices and construction contracts; (iv) obtaining and testing the historical observed default rates prepared by the Group; and (v) checking the calculation of expected credit losses based on the methodology adopted by the Group and assessing the adequacy of the Group's disclosures in the financial statements.

Independent Auditor's Report

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Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of buildings and leasehold land The Group measures its buildings and related leasehold land situated in the People's Republic of China (the "PRC") under the revaluation model. As at 31 December 2023, the fair values of buildings and leasehold land amounted to RMB1,475,729,000 and RMB2,023,963,000 respectively, which in aggregate represented 37% of the Group's total assets, combined with the judgements associated with determining their value values. Relevant disclosures are included in notes 13 and 14 to the consolidated financial statements.	Our procedures in relation to the valuation of buildings and leasehold land stated at fair value included: (i) evaluating the competence, capabilities and objectivity of the external valuers engaged by the Group; (ii) obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and its valuer; (iii) checking related inputs applied into the valuation and involving our internal valuation specialists to assist us in reviewing the work of the external valuers and assessing the underlying assumptions, such as comparing them to external market rents and yields if available; and (iv) evaluating the adequacy of the disclosures of the valuation of buildings and leasehold land in the consolidated financial statements.

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Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Business Overview and Management Discussion and Analysis on pages 8 to 33, which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report not including the consolidated financial statements and the auditor's report thereon (the "Other Sections"), which are expected to be made available after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Group's Audit Committee.

Responsibilities of the directors for the consolidated financial statements

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

Independent Auditor's Report

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Responsibilities of the directors for the consolidated financial statements *(Continued)*

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intends to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

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Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	6	**3,842,719**	4,658,780
Cost of sales		**(3,615,517)**	(4,867,080)
Gross profit/(loss)		**227,202**	(208,300)
Other income and gains	6	**201,828**	243,859
Selling and distribution expenses		**(28,162)**	(55,393)
Administrative expenses		**(309,838)**	(258,721)
Impairment losses on financial and contract assets		**(32,543)**	(556,772)
Other expenses		**(170,508)**	(251,635)
Finance costs	7	**(95,021)**	(91,242)
Share of profits and losses of associates		**4,673**	2,738
LOSS BEFORE TAX	8	**(202,369)**	(1,175,466)
Income tax credit/(expense)	10	**3,991**	(21,920)
LOSS FOR THE YEAR		**(198,378)**	(1,197,386)
Attributable to:			
Owners of the parent		**(196,122)**	(1,185,486)
Non-controlling interests		**(2,256)**	(11,900)
		(198,378)	(1,197,386)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
— Basic and diluted		**RMB(4.81) cents**	RMB(29.10) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	**(198,378)**	(1,197,386)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,036)**	3,254
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(3,036)**	3,254
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**45,998**	19,472
Income tax effect	**170**	(2,803)
	46,168	16,669
Gains on properties and land revaluation	**82,277**	92,330
Income tax effect	**(12,342)**	(13,850)
	69,935	78,480
Share of other comprehensive income of an associate	**(41,507)**	29,277
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**74,596**	124,426
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**71,560**	127,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(126,818)**	(1,069,706)
Attributable to:		
Owners of the parent	**(124,562)**	(1,057,806)
Non-controlling interests	**(2,256)**	(11,900)
	(126,818)	(1,069,706)

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,493,414**	1,452,129
Other non-current assets	19, 22	**142,077**	141,817
Right-of-use assets	14(a)	**2,046,676**	2,113,636
Goodwill	15	**15,752**	15,752
Intangible assets	16	**26,021**	22,380
Long-term prepayments	21	**5,251**	–
Investments in associates	17	**220,619**	258,972
Equity investments designated at fair value through other comprehensive income	18	**33,130**	32,803
Total non-current assets		**3,982,940**	4,037,489
CURRENT ASSETS			
Equity investments designated at fair value through other comprehensive income	18	**237,946**	213,072
Inventories	19	**52,237**	126,347
Trade receivables	20	**473,716**	529,681
Bills receivable		**94,421**	81,331
Contract assets	22	**1,599,781**	2,157,779
Prepayments and other receivables	21	**1,250,463**	737,584
Due from fellow subsidiaries	31	**80,489**	89,321
Pledged bank balances and time deposits	23	**785,890**	587,349
Cash and bank balances	23	**901,834**	383,592
Total current assets		**5,476,777**	4,906,056
CURRENT LIABILITIES			
Trade and bills payables	24	**2,183,155**	2,269,185
Other payables and accruals	25	**2,307,695**	1,158,964
Interest-bearing bank and other borrowings	26	**529,109**	1,187,632
Lease liabilities	14(b)	**12,135**	8,413
Due to fellow subsidiaries	31	**340**	151
Due to an associate	31	**630**	630
Tax payable		**155,196**	172,846
Total current liabilities		**5,188,260**	4,797,821
NET CURRENT ASSETS		**288,517**	108,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,271,457**	4,145,724

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**15,031**	23,511
Interest-bearing bank and other borrowings	26	**561,000**	–
Long-term payables	24, 25	**574,350**	876,292
Deferred tax liabilities	27	**398,556**	398,019
Government grants	28	**3,855**	3,986
Other non-current liabilities	25	**269,882**	268,315
Total non-current liabilities		**1,822,674**	1,570,123
Net assets		**2,448,783**	2,575,601
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**330,578**	330,578
Share premium	29	**869,201**	869,201
Other reserves	29	**1,263,712**	1,388,274
		2,463,491	2,588,053
Non-controlling interests		**(14,708)**	(12,452)
Total equity		**2,448,783**	2,575,601

Zhou Hongliang
Director

Zheng Shifeng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

Year ended 31 December 2022	Attributable to owners of the parent											
	Share capital RMB'000 (note 29)	Share premium RMB'000 (note 29)	Share option reserve* RMB'000 (note 30)	Capital reserve* RMB'000 (note 29)	Statutory reserve* RMB'000 (note 29)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Asset revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	330,578	869,201	97,999	(101,206)	87,791	(107,802)	2,202,808	(7,857)	276,079	3,647,591	(552)	3,647,039
Loss for the year	–	–	–	–	–	–	–	–	(1,185,486)	(1,185,486)	(11,900)	(1,197,386)
Other comprehensive income for the year												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	16,669	–	–	–	16,669	–	16,669
Share of other comprehensive income of an associate	–	–	–	–	–	29,277	–	–	–	29,277	–	29,277
Gains on properties and land revaluation, net of tax	–	–	–	–	–	–	78,480	–	–	78,480	–	78,480
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	3,254	–	3,254	–	3,254
Total comprehensive income for the year	–	–	–	–	–	45,946	78,480	3,254	(1,185,486)	(1,057,806)	(11,900)	(1,069,706)
Depreciation transfer for properties and land	–	–	–	–	–	–	(45,805)	–	45,805	–	–	–
Transfer to statutory reserve	–	–	–	–	19,530	–	–	–	(19,530)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	60,049	–	–	(60,049)	–	–	–
Equity-settled share option arrangements	–	–	(1,732)	–	–	–	–	–	–	(1,732)	–	(1,732)
Transfer of share option reserve upon the expiry of share option	–	–	(96,267)	–	–	–	–	–	96,267	–	–	–
At 31 December 2022	330,578	869,201	–	(101,206)	107,321	(1,807)	2,235,483	(4,603)	(846,914)	2,588,053	(12,452)	2,575,601

Year ended 31 December 2023	**Attributable to owners of the parent**										
	Share capital RMB'000 (note 29)	**Share premium RMB'000 (note 29)**	**Capital reserve* RMB'000 (note 29)**	**Statutory reserve* RMB'000 (note 29)**	**Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000**	**Asset revaluation reserve* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Accumulated losses* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2023	**330,578**	**869,201**	**(101,206)**	**107,321**	**(1,807)**	**2,235,483**	**(4,603)**	**(846,914)**	**2,588,053**	**(12,452)**	**2,575,601**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(196,122)**	**(196,122)**	**(2,256)**	**(198,378)**
Other comprehensive income for the year											
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**46,168**	**–**	**–**	**–**	**46,168**	**–**	**46,168**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**(41,507)**	**–**	**–**	**–**	**(41,507)**	**–**	**(41,507)**
Gains on properties and land revaluation, net of tax	**–**	**–**	**–**	**–**	**–**	**69,935**	**–**	**–**	**69,935**	**–**	**69,935**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(3,036)**	**–**	**(3,036)**	**–**	**(3,036)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**4,661**	**69,935**	**(3,036)**	**(196,122)**	**(124,562)**	**(2,256)**	**(126,818)**
Depreciation transfer for properties and land	**–**	**–**	**–**	**–**	**–**	**(65,930)**	**–**	**65,930**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**(1,677)**	**–**	**–**	**–**	**1,677**	**–**	**–**	**–**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(532)**	**–**	**–**	**532**	**–**	**–**	**–**
At 31 December 2023	**330,578**	**869,201**	**(101,206)**	**105,644**	**2,322**	**2,239,488**	**(7,639)**	**(974,897)**	**2,463,491**	**(14,708)**	**2,448,783**

* These reserve accounts comprised the consolidated other reserves of RMB1,263,712,000 and RMB1,388,274,000 in the consolidated statements of financial position as at 31 December 2023 and 2022, respectively.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(202,369)**	(1,175,466)
Adjustments for:			
Depreciation of property, plant and equipment	8, 13	**51,606**	48,226
Depreciation of right-of-use assets	8, 14	**75,964**	77,003
Amortisation of intangible assets	8, 16	**7,246**	6,406
Recognition of government grants	6, 8, 28	**(6,272)**	(3,771)
Share of profits and losses of associates	17	**(4,673)**	(2,738)
Net foreign exchange gain		**(32,441)**	(3,745)
Dividend income from equity investments designated at fair value through other comprehensive income	6	**(13,170)**	(13,168)
Gain on derecognition of an equity investment at fair value through profit or loss, net	6, 8	**–**	(733)
Gain on modifications of financial liabilities that do not result in derecognition	6, 8	**(19,055)**	(35,971)
Gain on disposal of an investment property	6	**–**	(27,776)
Gain on disposal of items of property, plant and equipment	6	**(2,283)**	(30)
Provision for impairment of inventories	8	**73,664**	24,610
Amortisation of other current assets	8	**–**	10,334
(Reversal of)/provision for impairment of trade receivables, net	20	**(21,285)**	308,595
Impairment of contract assets, net	22	**57,104**	247,104
(Reversal of)/provision for impairment of other receivables, net	21	**(3,276)**	1,073
Impairment of other current assets, net	8	**–**	30,434
Equity-settled share option expenses	8	**–**	(1,732)
Finance costs	7	**95,021**	91,242
Interest income	6	**(17,143)**	(10,617)
		38,638	(430,720)
(Increase)/decrease in inventories		**(18,420)**	67,394
Decrease/(increase) in trade and bills receivables		**64,160**	(61,907)
Increase in prepayments, other receivables and other assets		**(519,394)**	(176,068)
Increase in other current assets		**–**	(4,330)
Decrease in contract assets		**519,500**	150,471
Decrease/(increase) in amounts due from fellow subsidiaries		**8,832**	(51,466)
Increase in amounts due to fellow subsidiaries		**189**	69
Increase in long-term payables		**–**	1,168
Increase in government grants	28	**6,141**	3,641
Decrease in trade and bills payables		**(430,212)**	(492,513)
Increase in other payables and accruals		**1,189,846**	378,725
(Increase)/decrease pledged bank balances and time deposits, and frozen balances		**(132,853)**	76,925
Cash generated from/(used in) operations		**726,427**	(538,611)
Interest received		**17,143**	10,617
Interest paid		**(62,523)**	(61,708)
Tax paid		**(29,509)**	(5,210)
Net cash flows from/(used in) operating activities		**651,538**	(594,912)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from equity investments designated at fair value through other comprehensive income	6	**13,170**	13,168
Purchases of items of property, plant and equipment	13	**(13,799)**	(3,726)
Purchase of intangible assets	16	**(8,929)**	(10,203)
Proceeds from disposal of an investment property		**–**	37,360
Proceeds from disposal of property, plant and equipment		**2,876**	80
Proceeds from disposal of financial asset at fair value through profit or loss		**–**	432,733
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**20,797**	16,294
Purchases of financial assets at fair value through profit or loss		**–**	(432,000)
Increase in time deposits with original maturity of more than three months		**(26,206)**	–
Dividend received from an associate		**1,519**	–
Investments in associates		**–**	(13,935)
Net cash flows (used in)/from investing activities		**(10,572)**	39,771
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**479,363**	536,188
Repayment of bank loans		**(576,886)**	(521,594)
Increase in pledged bank balances		**(57,424)**	–
Principal portion of lease payments	37(b)	**(9,036)**	(17,361)
Net cash flows used in financing activities		**(163,983)**	(2,767)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**476,983**	(557,908)
Cash and cash equivalents at beginning of year		**347,972**	891,068
Effect of foreign exchange rate changes, net		**23,317**	14,812
CASH AND CASH EQUIVALENTS AT END OF YEAR		**848,272**	347,972
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**901,834**	383,592
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	23	**901,834**	383,592
Non-pledged time deposits with original maturity of more than three months		**(26,206)**	–
Frozen and unpledged cash balances		**(27,356)**	(35,620)
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**848,272**	347,972

Notes to Financial Statements

Year ended 31 December 2023

1. CORPORATE INFORMATION

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1–1111, 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, construction 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 Direct	Indirect	Principal activities
Wison Engineering Technology Limited ("Wison Technology")	British Virgin Islands("BVI")	United States dollar ("US$")1	100	–	Investment holding
Wison Energy Engineering (Hong Kong) Limited ("Wison Energy (HK)")	Hong Kong	Hong Kong dollar ("HK$") 401,713,600	–	100	Investment holding/import and export sale of equipment and parts/provision of engineering, procurement and construction management services
惠生工程(中國)有限公司* (Wison Engineering Limited, "Wison Engineering")	PRC/Chinese Mainland	Renminbi ("RMB") 510,000,000	–	100	Provision of engineering, procurement and construction management services
Wison USA, LLC	United States	Nil	–	100	Provision of engineering, procurement and construction management services
江蘇惠生建設科技有限公司** (Jiangsu Wison Construction Technology Company Limited, "Jiangsu Wison")	PRC/Chinese Mainland	RMB120,800,000	–	100	Provision of procurement and construction management services

* Wison Engineering is registered as a Sino-foreign co-operative enterprise under PRC law.

** Jiangsu Wison is registered as a domestic enterprise under PRC law.

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. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by 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 equity investments, buildings and leasehold land which have been measured at fair value. These financial statements are presented in 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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.

Notes to Financial Statements

Year ended 31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Basis of consolidation *(Continued)*

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

2.2 Changes in accounting policies and disclosures

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

IFRS 17	*Insurance Contracts*
Annual to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

The nature and the impact of new and revised IFRSs that are applicable to the Group are described below: *(continued)*

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The group has not applied the initial recognition exception and recognized deferred tax assets and deferred tax liabilities respectively for all transactions fallen within the scope of the amendment in prior years, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

Notes to Financial Statements

Year ended 31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective international financial reporting standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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

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 resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective international financial reporting standards *(continued)*

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective international financial reporting standards *(continued)*

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Investments in associates

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 has 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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is 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 associates are eliminated to the extent of the Group's investments in the associates, 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 investments in the associates.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Interests in joint operations *(continued)*

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

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 interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

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 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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 investment property and equity investments at 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.

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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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 inventories, contract assets, deferred tax assets and an investment property), 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.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. MATERIAL 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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;

Notes to Financial Statements

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

(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.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives or annual rates used for this purpose are as follows:

Buildings	30 to 50 years
Plant and machinery	20%
Motor vehicles	25%
Office equipment	20% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and remaining useful life

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. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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.

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.

Software and licence

Software and licence are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Research and development costs

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

Notes to Financial Statements

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Research and development costs *(continued)*

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at fair value or cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	Over the lease terms
Leasehold land	45 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor *(continued)*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial asset at fair value through profit or loss

Financial asset at fair value through profit or loss is carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables, an amount due to an associate, amounts due to fellow subsidiaries, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in 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 liability is 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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. 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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Government grants

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

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Provision of design, feasibility research, consulting and technical services

The service revenue from the provision of design, feasibility research, consulting and technical services is recognised over time, using the approach of input method to measure progress towards complete satisfaction of the services, because the Group has an enforceable right to payment for performance completed to date. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs to complete the services.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees 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 30 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.

3. MATERIAL 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.

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

Other employee benefits

Pension scheme

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 the statement of 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.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension scheme *(continued)*

The employees of the Group's subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. 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. 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 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.

Notes to Financial Statements

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas branches, subsidiaries and joint operation 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 exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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 and branches are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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 disclosures, 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 amounts of the assets or 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:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment property and owner-occupied property

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 sold separately or 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.

Estimation uncertainly

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:

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group has developed a statistical model for estimating expected successful claims. The model used the historical claims data including the historical experiences with the same customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims quarterly. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Impairment of goodwill

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). 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 2023 was RMB15,752,000. Further details are given in note 15.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by industry type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., the average default rate of the corporate credit debts) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction service sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the financial statements, respectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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.

Percentage of completion of construction works

The Group recognises revenue according to the input method, 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

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 subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on construction and material costs.

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 judgement 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. Further details are contained in note 27 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 35 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was RMB79,486,000 (2022: RMB80,197,000). Further details are included in note 18 to the financial statements.

Fair value of buildings and leasehold land

As described in notes 13 and 14 to the financial statements, the buildings and leasehold land located in Chinese Mainland were revalued at the end of the reporting period by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details, including the valuation technique and key assumptions used for fair value measurement, are set out in note 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainly *(continued)*

Corporate income tax

The Group is subject to corporate income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates 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.

5. OPERATING SEGMENT INFORMATION

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

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

— Engineering, consulting and technical services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, right-of-use assets, goodwill, intangible assets, investments in associates, deferred tax assets, long-term prepayments, amounts due from fellow subsidiaries, prepayments and other receivables, equity investments designated at fair value through other comprehensive income, pledged bank balances and time deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals, interest-bearing bank and other borrowings, amounts due to fellow subsidiaries, an amount due to an associate, tax payable, lease liabilities, government grants and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2023	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Segment revenue (note 6)			
Sales to external customers	3,528,535	314,184	3,842,719
Intersegment sales	20,493	4,939	25,432
Total segment revenue	3,549,028	319,123	3,868,151
Reconciliation:			
Elimination of intersegment sales			(25,432)
Revenue			3,842,719
Segment results	55,849	114,084	169,933
Reconciliation:			
Unallocated income			182,773
Unallocated expenses			(514,408)
Unallocated finance costs (other than interest on lease liabilities)			(45,340)
Share of profits and losses of associates			4,673
Loss before tax			(202,369)
Segment assets	3,329,899	244,398	3,574,297
Reconciliation:			
Elimination of intersegment receivables			(15,700)
Corporate and other unallocated assets			5,901,120
Total assets			9,459,717
Segment liabilities	4,728,082	241,957	4,970,039
Reconciliation:			
Elimination of intersegment payables			(15,180)
Corporate and other unallocated liabilities			2,056,075
Total liabilities			7,010,934
Other segment information			
Impairment losses (recognised)/reversed in the statement of profit or loss, net	(115,852)	6,369	(109,483)

Notes to Financial Statements

Year ended 31 December 2022

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Segment revenue (note 6)			
Sales to external customers	4,463,620	195,160	4,658,780
Intersegment sales	27,645	11	27,656
Total segment revenue	4,491,265	195,171	4,686,436
Reconciliation:			
Elimination of intersegment sales			(27,656)
Revenue			4,658,780
Segment results	(834,754)	22,226	(812,528)
Reconciliation:			
Unallocated income			207,888
Unallocated expenses			(512,473)
Unallocated finance costs (other than interest on lease liabilities)			(61,091)
Share of profits and losses of associates			2,738
Loss before tax			(1,175,466)
Segment assets	3,547,672	111,803	3,659,475
Reconciliation:			
Elimination of intersegment receivables			(39,153)
Corporate and other unallocated assets			5,323,223
Total assets			8,943,545
Segment liabilities	4,024,291	72,030	4,096,321
Reconciliation:			
Elimination of intersegment payables			(38,839)
Corporate and other unallocated liabilities			2,310,462
Total liabilities			6,367,944
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	(585,179)	(25,564)	(610,743)

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2023 **RMB'000**	2022 RMB'000
Chinese Mainland	**2,336,763**	4,042,462
Middle East	**838,681**	381,498
Europe	**160,342**	55,214
America	**5,624**	120,518
Other regions	**501,309**	59,088
Total revenue	**3,842,719**	4,658,780

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

(b) As over 90% of the Group's non-current assets are located in Chinese Mainland, 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:

	2023	2022
Customer A (EPC segment)	**20.1%**	NA
Customer B (EPC segment)	**13.0%**	NA
Customer C (EPC segment)	**12.2%**	11.1%

Notes to Financial Statements

Year ended 31 December 2023

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**3,842,719**	4,658,780

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Types of services			
Construction services	**3,528,535**	**–**	**3,528,535**
Design, feasibility research, consulting and technical services	**–**	**314,184**	**314,184**
Total revenue from contracts with customers	**3,528,535**	**314,184**	**3,842,719**
Geographical markets			
Chinese Mainland	**2,042,442**	**294,321**	**2,336,763**
Middle East	**836,442**	**2,239**	**838,681**
Europe	**149,158**	**11,184**	**160,342**
America	**840**	**4,784**	**5,624**
Others	**499,653**	**1,656**	**501,309**
Total revenue from contracts with customers	**3,528,535**	**314,184**	**3,842,719**
Timing of revenue recognition			
Services transferred over time	**3,528,535**	**314,184**	**3,842,719**

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

For the year ended 31 December 2022

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Types of services			
Construction services	4,463,620	–	4,463,620
Design, feasibility research, consulting and technical services	–	195,160	195,160
Total revenue from contracts with customers	4,463,620	195,160	4,658,780
Geographical markets			
Chinese Mainland	3,909,938	132,524	4,042,462
Middle East	381,498	–	381,498
America	120,518	–	120,518
Europe	5,928	49,286	55,214
Others	45,738	13,350	59,088
Total revenue from contracts with customers	4,463,620	195,160	4,658,780
Timing of revenue recognition			
Services transferred over time	4,463,620	195,160	4,658,780

Notes to Financial Statements

Year ended 31 December 2023

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2023

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**3,528,535**	**314,184**	**3,842,719**
Intersegment sales	**20,493**	**4,939**	**25,432**
Subtotal	**3,549,028**	**319,123**	**3,868,151**
Intersegment adjustments and eliminations	**(20,493)**	**(4,939)**	**(25,432)**
Total revenue from contracts with customers	**3,528,535**	**314,184**	**3,842,719**

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

For the year ended 31 December 2022

Segments	EPC RMB'000	Engineering consulting and technical services RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,463,620	195,160	4,658,780
Intersegment sales	27,645	11	27,656
Subtotal	4,491,265	195,171	4,686,436
Intersegment adjustments and eliminations	(27,645)	(11)	(27,656)
Total revenue from contracts with customers	4,463,620	195,160	4,658,780

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 **RMB'000**	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction services	**574,778**	312,490
Design, feasibility research, consulting and technical services	**16,121**	13,604
Total	**590,899**	326,094

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Year ended 31 December 2023

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is separated in stages upon reaching certain pre-agreed milestones set forth in the agreement which is generally due within 30 to 90 days from the date of billing and payment. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Provision of design, feasibility research, consulting and technical services

The performance obligation is satisfied over time as services are rendered and payment is generally separated in stages upon reaching certain pre-agreed milestones set forth in the agreement and short-term advances are normally required before rendering the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 **RMB'000**	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**4,586,422**	4,053,682
After one year	**18,669,372**	22,670,321
Total	**23,255,794**	26,724,003

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations *(continued)*

Provision of design, feasibility research, consulting and technical services (continued)

	Notes	2023 RMB'000	2022 RMB'000
Other income			
Government grants*	*28*	**6,272**	3,771
Bank interest income		**17,143**	10,617
Dividend income from an equity investment at fair value through other comprehensive income		**13,170**	13,168
Rental income	*14*	**143,905**	135,964
Others		**–**	4,762
Total other income		**180,490**	168,282
Gains			
Gain on modifications of financial liabilities that do not result in derecognition		**19,055**	35,971
Gain on disposal of items of property, plant and equipment		**2,283**	30
Gain on disposal of an investment property		**–**	27,776
Gain on foreign exchange differences, net		**–**	11,067
Gain on disposal of a financial assets at fair value through profit or loss		**–**	733
Total gains		**21,338**	75,577
Total other income and gains		**201,828**	243,859

* 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.

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Year ended 31 December 2023

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans and other loans	**53,330**	61,033
Interest on lease liabilities	**1,069**	695
Interest on discounted bills and letters of credit	**117**	58
Subtotal	**54,516**	61,786
Other finance costs:		
Handling fee for letters of guarantee	**8,107**	–
Increase in discounted amounts of financial liabilities arising from the passage of time	**32,398**	29,456
Total	**95,021**	91,242

8. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services provided*		**3,615,517**	4,867,080
Depreciation of property, plant and equipment and investment property	13	**51,606**	48,226
Depreciation of right-of-use assets	14(a)	**75,964**	77,003
Research and development costs		**128,761**	148,970
Amortisation of intangible assets	16	**7,246**	6,406
Amortisation of other current assets**		**–**	10,334
Government grants	28	**(6,272)**	(3,771)
Impairment/(reversal of impairment) of financial and contract assets, net:			
(Reversal of impairment)/impairment of trade receivables, net	20	**(21,285)**	308,595
Impairment of contract assets, net	22	**57,104**	247,104
(Reversal of impairment)/impairment of other receivables, net	21	**(3,276)**	1,073
Provision for impairment of inventories		**73,664**	24,610
Impairment of other current assets, net**		**–**	30,434
Lease payments not included in the measurement of lease liabilities	14(c)	**6,999**	9,178
Gain on derecognition of a financial asset at fair value through profit or loss		**–**	(733)
Gain on modifications of financial liabilities that do not result in derecognition	6	**(19,055)**	(35,971)
Increase in discounted amounts of financial liabilities arising from the passage of time	7	**32,398**	29,456
Auditor's remuneration		**5,977**	6,228
Employee benefit expense (including directors' and chief executive's remuneration) (note 9):			
Wages and salaries (including social welfare)		**647,689**	593,572
Retirement benefit scheme contributions		**54,957**	53,846
Equity-settled share option expenses	30	**–**	(1,732)
		702,646	645,686
Foreign exchange differences, net		**9,124**	(11,067)

Notes to Financial Statements

Year ended 31 December 2023

8. LOSS BEFORE TAX *(continued)*

* Amounts of RMB480,982,000 and RMB399,731,000 of employee benefit expenses were included in cost of services provided during the years ended 31 December 2023 and 2022, respectively.

** Other current assets are certain costs to fulfil a contract and amortised on the straight-line basis during the project cycle. Amortisation expenses and impairment losses amounted to RMB10,334,000 and RMB30,434,000, respectively, were recognised in profit or loss for the year ended 31 December 2022.

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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:

	2023 **RMB'000**	2022 RMB'000
Fees	**677**	1,402
Other emoluments:		
Salaries and allowances	**3,959**	6,330
Performance related bonuses	**880**	660
Pension scheme contributions (including social welfare)	**136**	252
Equity-settled share option expenses and equity-settled share-based payment expenses	**–**	(1,732)
Subtotal	**4,975**	5,510
Total fees and other emoluments	**5,652**	6,912

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Year ended 31 December 2023

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

(a) Executive directors and independent non-executive directors

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2023					
Executive directors					
Mr. Zhou Hongliang	50	2,430	546	68	3,094
Mr. Zheng Shifeng	–	1,529	334	68	1,931
Subtotal	50	3,959	880	136	5,025
Independent non-executive directors					
Mr. Lawrence Lee	209	–	–	–	209
Mr. Tang Shisheng	209	–	–	–	209
Mr. Feng Guohua	209	–	–	–	209
Subtotal	627	–	–	–	627
Total	677	3,959	880	136	5,652

Notes to Financial Statements

Year ended 31 December 2023

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

(a) Executive directors and independent non-executive directors *(continued)*

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Zhou Hongliang	300	1,223	293	–	63	1,879
Mr. Zheng Shifeng	–	1,464	281	–	63	1,808
Mr. Yan Shaochun (i)	300	2,415	–	(1,732)	63	1,046
Mr. Dong Hua (ii)	175	1,228	86	–	63	1,552
Subtotal	775	6,330	660	(1,732)	252	6,285
Independent non-executive directors						
Mr. Lawrence Lee	209	–	–	–	–	209
Mr. Tang Shisheng	209	–	–	–	–	209
Mr. Feng Guohua	209	–	–	–	–	209
Subtotal	627	–	–	–	–	627
Total	1,402	6,330	660	(1,732)	252	6,912

(i) Mr. Yan Shaochun resigned from the position of executive director of the Company and the chief executive officer of the Group with effect from 30 December 2022.

(ii) Mr. Dong Hua resigned from the position of executive director of the Company with effect from 2 August 2022.

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

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

(b) Five highest paid employees

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

	2023	2022
Directors	**2**	3
Non-director and non-chief executive employees	**3**	2
Total	**5**	5

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

Details of the remuneration of the non-director and non-chief executive highest paid employees for the years ended 31 December 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	**4,289**	2,618
Performance related bonuses	**728**	731
Pension scheme contributions (including social welfare)	**290**	103
Total	**5,307**	3,452

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

	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**2**	–
Total	**3**	2

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.

	2023 RMB'000	2022 RMB'000
Current — Chinese Mainland		
Overprovision in prior years	–	(70)
Current — Elsewhere		
Charge for the year	7,572	535
Under provision in prior years	72	2,828
Deferred (note 27)	(11,635)	18,627
Total tax (credit)/charge for the year	(3,991)	21,920

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, Indonesia, South Africa, Russia, Mexico, United Arab Emirates and Singapore as the Group did not have any assessable income arising in these jurisdictions during the years ended 31 December 2023 and 2022.

Wison Engineering was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2020 to 2025.

Jiangsu Wison is subject to corporate income tax at a rate of 25%.

Wison USA, LLC is subject to federal income tax at a rate of 21% and state income tax at a rate of 0.75%.

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

10. INCOME TAX *(continued)*

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

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(202,369)**	(1,175,466)
Tax at the statutory tax rates	**(52,813)**	(283,794)
Lower tax rate enacted by local authority	**11,071**	89,678
Effect of withholding tax at 5% on the overseas profits of the Group's PRC subsidiary	**5,376**	175
Adjustments in respect of current tax of previous periods	**72**	2,758
Income not subject to tax	**(2,575)**	–
Expenses not deductible for tax	**3,424**	(428)
Additional tax deduction	**(18,698)**	(17,313)
Tax losses utilised from previous periods	**(1,771)**	–
Tax losses not recognised	**65,406**	92,925
Unrecognised deductible temporary differences	**(13,483)**	137,919
Tax (credit)/charge at the Group's effective rate	**(3,991)**	21,920

The share of tax attributable to associates amounting to RMB1,575,000 (2022: RMB1,362,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No final dividends were paid, declared or proposed for the years ended 31 December 2023 and 2022.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,073,767,800 (2022: 4,073,767,800) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the share options in issue during those years had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2023	2022
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(196,122)**	(1,185,486)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**4,073,767,800**	4,073,767,800

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 2023						
Cost or valuation:						
At 31 December 2022 and 1 January 2023	1,441,077	7,470	19,286	33,442	70,464	1,571,739
Additions	–	1,129	1,752	2,018	7,680	12,579
Surplus on revaluation	34,652	–	–	–	–	34,652
Disposals	–	(658)	–	(6,233)	(11,027)	(17,918)
Exchange realignment	–	–	172	1,700	1,767	3,639
At 31 December 2023	1,475,729	7,941	21,210	30,927	68,884	1,604,691
Depreciation:						
At 31 December 2022 and 1 January 2023	–	(6,479)	(15,246)	(30,144)	(67,741)	(119,610)
Provided for the year	(42,953)	(1,001)	(2,094)	(2,493)	(3,065)	(51,606)
Disposals	–	658	–	6,126	10,541	17,325
Reversal upon revaluation	42,953	–	–	–	–	42,953
Exchange realignment	–	–	(55)	174	(458)	(339)
At 31 December 2023	–	(6,822)	(17,395)	(26,337)	(60,723)	(111,277)
Net book value:						
At 31 December 2023	1,475,729	1,119	3,815	4,590	8,161	1,493,414

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Year ended 31 December 2023

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 2022						
Cost or valuation:						
At 31 December 2021 and 1 January 2022	1,399,744	7,381	18,254	30,852	109,664	1,565,895
Additions	–	–	1,046	359	1,065	2,470
Surplus on revaluation	41,333	–	–	–	–	41,333
Disposals	–	–	(373)	–	(4,898)	(5,271)
Exchange realignment	–	89	359	3,692	61	4,201
Transfer	–	–	–	(1,461)	(35,428)	(36,889)
At 31 December 2022	1,441,077	7,470	19,286	33,442	70,464	1,571,739
Depreciation:						
At 31 December 2021 and 1 January 2022	–	(5,560)	(13,412)	(27,809)	(70,604)	(117,385)
Provided for the year	(40,527)	(930)	(2,063)	(2,525)	(1,965)	(48,010)
Disposals	–	–	373	–	4,848	5,221
Reversal upon revaluation	40,527	–	–	–	–	40,527
Exchange realignment	–	11	(144)	(253)	(28)	(414)
Other transfer	–	–	–	443	8	451
At 31 December 2022	–	(6,479)	(15,246)	(30,144)	(67,741)	(119,610)
Net book value:						
At 31 December 2022	1,441,077	991	4,040	3,298	2,723	1,452,129

At 31 December 2023, the Group's buildings were situated in Chinese Mainland and are held under medium-term leases with a book value of RMB1,475,729,000 (31 December 2022: RMB1,441,077,000).

Except for the buildings situated in Chinese Mainland which are stated at valuation, all property, plant and equipment are stated at cost less accumulated depreciation.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2023, the Group's buildings and leasehold land situated in Chinese Mainland were revalued based on valuations performed by Shanghai Orient Appraisal Co., Ltd., an independent firm of professionally qualified valuers, at RMB3,499,692,000 (31 December 2022: RMB3,521,714,000), based on their existing use. The land portion of RMB2,023,963,000 (31 December 2022: RMB2,080,637,000) was measured as right-of-use assets (note 14). In the opinion of the directors, the current use of the leasehold building in Chinese Mainland is its highest and best use.

A revaluation surplus of RMB69,935,000 (2022: RMB78,480,000), net of tax, resulting from the above valuations, has been credited (2022: credited) to other comprehensive income.

Had the Group's buildings and leasehold land situated in Chinese Mainland been carried at cost less accumulated depreciation, the carrying amounts would have been approximately RMB732,116,000 and RMB132,885,000, respectively (31 December 2022: RMB754,813,000 and RMB136,922,000, respectively).

As at 31 December 2023, certain of the Group's building and leasehold land with a net book value of approximately RMB3,475,716,000 (31 December 2022: RMB3,494,142,000) were pledged to secure general banking facilities granted to the Group (note 26).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings and leasehold land situated in Chinese Mainland:

	Fair value measurement as at 31 December 2023 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
Buildings	–	–	1,475,729	1,475,729
Leasehold land	–	–	2,023,963	2,023,963
Total	–	–	3,499,692	3,499,692

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2022 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
Buildings	–	–	1,441,077	1,441,077
Leasehold land	–	–	2,080,637	2,080,637
Total	–	–	3,521,714	3,521,714

The movements in fair value measurements within Level 3 during the year are as follows:

	Buildings RMB'000	Leasehold land RMB'000
At 1 January 2022	1,399,744	2,131,204
Depreciation charge	(40,527)	(61,037)
Surplus on revaluation recognised in comprehensive income	81,860	10,470
At 31 December 2022 and 1 January 2023	**1,441,077**	**2,080,637**
Depreciation charge	**(42,953)**	**(61,346)**
Surplus on revaluation recognised in comprehensive income	**77,605**	**4,672**
At 31 December 2023	**1,475,729**	**2,023,963**

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.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of buildings and leasehold land:

	Valuation technique	Significant unobservable inputs	Weighted average 2023	Weighted average 2022
Building and leasehold land (note a)	Income method	Average market daily rent (RMB/per square meter)	**6.26**	5.91
		Long term vacancy rate	**9%**	4%
		Yield rate	**7%**	4%
Building (note b)	Direct comparison method	Market transaction price (RMB/square metre)	**10,000**	11,500
		Adjustment on quality of the building	**5%**	5%

Notes:

(a) The valuation of the building and the leasehold land was determined using the income method. The most significant inputs to this valuation approach are the market daily rental of comparable properties nearby, long term vacancy rate of the building and yield rate of the rentals.

The fair value measurement is positively correlated to the market daily rental and yield rate, and negatively correlated to the long-term vacancy rate.

(b) The valuation of the building was determined using the direct comparison approach. The most significant inputs to this valuation approach are the market transaction prices of comparable properties nearby and the adjustment on quality of the building.

The fair value measurement is positively correlated to the market transaction price and negatively correlated to the adjustment on quality of the building.

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 45 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 5 years, while motor vehicles and other equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2022	19,610	2,131,204	2,150,814
Additions	29,355	–	29,355
Deficit on revaluation	–	(50,567)	(50,567)
Depreciation charge	(15,966)	(61,037)	(77,003)
Reversal of depreciation upon revaluation	–	61,037	61,037
As at 31 December 2022 and 1 January 2023	**32,999**	**2,080,637**	**2,113,636**
Additions	**4,332**	**–**	**4,332**
Deficit on revaluation	**–**	**(56,674)**	**(56,674)**
Depreciation charge	**(14,618)**	**(61,346)**	**(75,964)**
Reversal of depreciation upon revaluation	**–**	**61,346**	**61,346**
As at 31 December 2023	**22,713**	**2,023,963**	**2,046,676**

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**31,924**	19,930
New leases	**4,278**	29,355
Accretion of interest recognised during the year	**1,069**	695
Payments	**(10,105)**	(18,056)
Carrying amount at 31 December	**27,166**	31,924
Analysed into:		
Current portion	**12,135**	8,413
Non-current portion	**15,031**	23,511

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**1,069**	695
Depreciation charge of right-of-use assets	**75,964**	77,003
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses and administrative expenses)	**6,609**	8,089
Expense relating to leases of low-value assets (included in administrative expenses)	**390**	1,089
Total amount recognised in profit or loss	**84,032**	86,876

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14. LEASES *(continued)*

The Group as a lessee *(continued)*

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. It is the Group's judgements that it is not necessary to exercise extension and termination options as those leases are being used normally and neither construction of significant leasehold improvements nor significant customisation to the leased asset.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 34, respectively, to the financial statements.

The Group as a lessor

The Group leases its office properties in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB143,905,000 (2022: RMB135,964,000), details of which are included in note 6 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating lease with its tenants are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**73,414**	43,868
In the second to fifth years, inclusive	**24,364**	14,740
Total	**97,778**	58,608

15. GOODWILL

	2023 RMB'000	2022 RMB'000
Carrying amount at the beginning and 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 EPC business.

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, budgeted gross margin and expected changes to revenue and direct costs during the year. The directors have estimated the discount rate of 15% (2022:15%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The directors have estimated the discount rate of 15% (2022:15%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2022: 3%) which 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. Management determine the budgeted gross margin based on the gross margin achieved previously and management's expectation on the future trend of the market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for 2023 and extrapolates cash flows for the following five years based on an estimated average industry growth rate.

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16. INTANGIBLE ASSETS

	Software RMB'000	Licence RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	**9,121**	**13,259**	**22,380**
Additions	**10,887**	**–**	**10,887**
Amortisation provided during the year	**(4,760)**	**(2,486)**	**(7,246)**
At 31 December 2023	**15,248**	**10,773**	**26,021**
At 31 December 2023			
Cost	**83,014**	**24,860**	**107,874**
Accumulated amortisation	**(67,766)**	**(14,087)**	**(81,853)**
Net carrying amount	**15,248**	**10,773**	**26,021**

	Software RMB'000	Licence RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	9,290	15,745	25,035
Additions	3,751	–	3,751
Amortisation provided during the year	(3,920)	(2,486)	(6,406)
At 31 December 2022	9,121	13,259	22,380
At 31 December 2022			
Cost	72,127	24,860	96,987
Accumulated amortisation	(63,006)	(11,601)	(74,607)
Net carrying amount	9,121	13,259	22,380

17. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**220,619**	258,972

Particulars of the Group's associates are as follows:

Name	Registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
河南創思特工程監理諮詢有限公司 (Henan Chuangsite Supervisory Consulting Co., Ltd. ("Henan Chuangsite"))	RMB3,000,000	PRC/ Chinese Mainland	30%	Supervisory services for construction projects
泰興博惠環保科技發展有限公司 (Taixing Bohui Environmental Technology Development Co., Ltd ("Taixing Bohui"))	RMB252,143,200	PRC/ Chinese Mainland	25%	Research and development service for environmental technology
南京銀鞍嶺秀新材料產業基金合夥企業(有限合夥) (Nanjing Yinan Lingxiu New Material Industry Fund (Limited Partnership) ("Yin'an Lingxiu"))	RMB908,000,000	PRC/ Chinese Mainland	17.62%	Investment in new material industry

The Group's equity holding in the associates was held through the wholly-owned subsidiaries of the Company.

Henan Chuangsite, Taixing Bohui and Yin'an Lingxiu are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

17. INVESTMENTS IN ASSOCIATES *(continued)*

Yin'an Lingxiu, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the investment of new material industry and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yin'an Lingxiu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 **RMB'000**	2022 RMB'000
Current assets	**378,776**	511,716
None-current assets	**439,149**	490,996
Net assets	**817,925**	1,002,712
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**17.62%**	18.65%
Carrying amount of the investment	**144,118**	187,006
Loss for the year	**(19)**	(6,748)
Other comprehensive income	**(226,387)**	156,980
Total comprehensive income for the year	**(226,406)**	150,232

The following table illustrates the financial information of the Group's associates that are not individually material:

	2023 **RMB'000**	2022 RMB'000
Share of the associates' profit for the year	**4,535**	3,861
Share of the associates' total comprehensive income	**4,535**	3,861
Aggregate carrying amount of the Group's investments in the associates	**76,501**	71,966

The Group's other payable balance with an associate is disclosed in note 31.

The Group's trade receivable balance and contract asset balance with an associate are disclosed in notes 20 and 22.

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
(CSSC (Hong Kong) Shipping Company Limited)	**191,590**	165,678
Unlisted equity investments, at fair value		
山西潞安化工有限公司		
(Shanxi Lu'an Chemical Co., Ltd.)	**46,356**	47,394
安徽寶龍環保科技有限公司		
(Anhui Baolong Environmental Technology Co., Ltd.)	**9,110**	11,036
興化粵海水務有限公司		
(Xinghua Yuehai Water Affairs Co., Ltd.)	**20,547**	18,191
上海銀鞍股權投資管理有限公司		
(Shanghai Yin'an Equity Investment Management Co., Ltd.)	**3,473**	3,576
	271,076	245,875
Less: classified as current assets	**237,946**	213,072
Non-current asset	**33,130**	32,803

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature except those investments are no longer coincided with the Group's investment strategy which have been classified as current assets.

In 2023, the Group disposed of its partial equity interests in CSSC (Hong Kong) Shipping Company Limited and the remaining amount of this investment are no longer coincided with the Group's investment strategy and was classified as current as at 31 December 2023. The total fair value of the sale was RMB20,798,000 and the accumulated deficits of RMB532,000 recognised in other comprehensive income was transferred to accumulated losses. During the year ended 31 December 2023, the Group received dividends in the amounts of RMB13,170,000 (2022: RMB13,168,000) from CSSC (Hong Kong) Shipping Company Limited.

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19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Construction materials, net	**45,144**	126,347
Work in progress, net*	**25,959**	–
	71,103	126,347
Less: Non-current portion of work in progress disclosed in other non-current assets	**18,866**	–
Total	**52,237**	126,347

* As at 31 December 2023, the balance of work in progress recognised from the costs incurred to obtain a contract with a customer was RMB44,825,000 (31 December 2022: Nil) and the amount of amortisation recognised during the year ended 31 December 2023 was RMB576,000 (2022: Nil).

20. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**1,070,771**	1,203,684
Impairment	**(597,055)**	(674,003)
Net carrying amount	**473,716**	529,681

The Group's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and on credit terms of a period of 30 to 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

20. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	**19,018**	37,149
2 to 12 months	**201,460**	153,182
Over 1 year	**253,238**	339,350
Total	**473,716**	529,681

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**674,003**	365,408
(Reversal of impairment)/impairment losses, net (note 8)	**(21,285)**	308,595
Amount written off as uncollectible	**(55,663)**	–
At end of year	**597,055**	674,003

The decrease (2022: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(a) Decrease in the loss allowance of RMB138,755,000 (2022: RMB15,493,000) as a result of a net decrease (2022: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

(b) Increase in the loss allowance of RMB117,470,000 (2022: RMB324,088,000) as a result of an increase in trade receivables which were past due; and

(c) Decrease in the loss allowance of RMB55,663,000 (2022: Nil) as a result of the write-off of certain trade receivables.

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Year ended 31 December 2023

20. TRADE RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by industry type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Ageing				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**5.9%**	**15.7%**	**38.5%**	**99.0%**	**55.8%**
Gross carrying amount (RMB'000)	**234,343**	**180,347**	**156,327**	**499,754**	**1,070,771**
Expected credit losses (RMB'000)	**13,865**	**28,372**	**60,199**	**494,619**	**597,055**

As at 31 December 2022

	Ageing				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	5.4%	16.2%	53.5%	100.0%	56.0%
Gross carrying amount (RMB'000)	201,124	204,542	361,283	436,735	1,203,684
Expected credit losses (RMB'000)	10,793	33,130	193,345	436,735	674,003

20. TRADE RECEIVABLES *(continued)*

The amounts due from related companies included in the trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
Related companies		
Wison (Taizhou) New Material Technology Co., Ltd. (as defined in note 31)	**283,035**	347,271
Taixing Bohui (as defined in note 17)	**62,567**	120,567
Taixing Tianma Chemical Engineering Co., Ltd. (as defined in note 31)	**20,143**	76,832
Wison Offshore Marine Shanghai (as defined inn note 31)	**8,076**	7,815
Wison (China) Investment (as defined in note 31)	**50**	50
Total	**373,871**	552,535

21. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	**1,196,364**	583,367
Deposits and other receivables	**61,258**	159,401
	1,257,622	742,768
Impairment provision	**(1,908)**	(5,184)
Subtotal	**1,255,714**	737,584
Less: Non-current portion of prepayments	**5,251**	–
Net carrying amount	**1,250,463**	737,584

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for deposits and other receivables where there were no comparable companies as at 31 December 2023 was 3.1% (2022: 3.3%).

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21. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of other receivables are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**5,184**	4,111
(Reversal of impairment)/impairment losses, net (note 8)	**(3,276)**	1,073
At end of year	**1,908**	5,184

22. CONTRACT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets arising from:			
Construction services	**2,120,114**	2,689,757	2,840,325
Design, feasibility research, consulting and technical services	**51,288**	1,145	1,048
	2,171,402	2,690,902	2,841,373
Impairment	**(448,410)**	(391,306)	(144,202)
Subtotal	**1,722,992**	2,299,596	2,697,171
Less: Contract assets disclosed in the other non-current assets	**123,211**	141,817	–
Net carrying amount	**1,599,781**	2,157,779	2,697,171

Contract assets are initially recognised for revenue earned from the provision of construction services and design, feasibility research, consulting and technical services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction services and design, feasibility research, consulting and technical services and progressing to billing milestone, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2023 was the result of the decrease in the ongoing sale of construction services and the provision of design, feasibility research, consulting and technical services at the end of each of the years.

22. CONTRACT ASSETS *(continued)*

During the year ended 31 December 2023, RMB57,104,000 (2022: RMB247,104,000) was recognized as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**1,554,990**	2,157,779
After one year	**168,002**	141,817
Total contract assets	**1,722,992**	2,299,596

The movements in the loss allowance for impairment of contract assets are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**391,306**	144,202
Impairment loss, net* (note 8)	**57,104**	247,104
At end of year	**448,410**	391,306

* The net impairment provision made for the contract assets will be reclassified to trade receivables when amounts of contract assets are billed or become billable to customers.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses on the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on ageing of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by industry type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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22. CONTRACT ASSETS *(continued)*

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2023	2022
Expected credit loss rate	**20.7%**	14.5%
Gross carrying amount (RMB'000)	**2,171,402**	2,690,902
Expected credit losses (RMB'000)	**448,410**	391,306

The amounts of contract assets with related companies are as follows:

	2023 **RMB'000**	2022 RMB'000
Related companies		
Taixing Bohui (as defined in note 17)	**65,586**	62,434
Wison (Taizhou) New Material Technology Co., Ltd. (as defined in note 31)	**4,477**	107,213
Wison (China) Investment (as defined in note 31)	**3,127**	–
Wison Offshore Marine Shanghai (as defined in note 31)	**6,712**	–
Total	**79,902**	169,647

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**1,181,582**	663,242
Time deposits with original maturity of less than three months (including three months)	**38,960**	791
Time deposits with original maturity of more than three months	**467,182**	306,908
Subtotal	**1,687,724**	970,941
Less: Pledged bank balances and time deposits	**785,890**	587,349
Unpledged cash and cash equivalents	**901,834**	383,592
Less: Non-pledged time deposits with original maturity of more than three months	**26,206**	–
Frozen and unpledged bank balances	**27,356**	35,620
Unpledged and unfrozen cash and cash equivalents	**848,272**	347,972

At 31 December 2023, bank balances and time deposits of RMB590,827,000 (2022: RMB455,568,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2023, bank balances and time deposits of RMB50,753,000 (2022: RMB13,880,000) were pledged to the banks as security to obtain letters of credit facilities for the purchase of imported equipment.

At 31 December 2023, bank balances and time deposits of RMB79,441,000 (2022: RMB110,561,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2023, bank balances of RMB1,000 (2022: RMB1,000) were pledged to a bank as security for forward foreign exchange contracts.

At 31 December 2023, bank balances of RMB64,763,000 (2022: RMB7,339,000) were pledged to a bank as security to obtain a bank facility.

At 31 December 2023, bank balances of RMB105,000 (2022: Nil) were pledged for salary payments to workers according to relevant government regulation.

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23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

At 31 December 2023, certain bank accounts of the Group of RMB27,356,000 (2022: RMB35,620,000) (note 33) were frozen by certain courts for preservation.

At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB1,103,087,000 (2022: RMB602,159,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

24. TRADE AND BILLS PAYABLES

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

	2023 **RMB'000**	2022 RMB'000
Less than 1 year	**1,205,187**	1,262,239
1 to 2 years	**759,787**	1,554,769
2 to 3 years	**606,258**	235,999
Over 3 years	**155,182**	90,276
Subtotal	**2,726,414**	3,143,283
Less: Long term payables	**543,259**	874,098
Total	**2,183,155**	2,269,185

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days other than those suppliers granting an extended credit period for more than one year.

25. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Contract liabilities	(a)	**2,228,445**	932,406
Accruals		**36,182**	133,783
Advances from lessees		**3,099**	4,674
Other payables	(b)	**340,942**	358,610
Subtotal		**2,608,668**	1,429,473
Less: Contract liabilities classified as other non-current liabilities		**269,882**	268,315
Other payables classified as long-term payables		**31,091**	2,194
Total		**2,307,695**	1,158,964

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Construction services	**2,137,345**	870,753	658,373
Design, feasibility research, consulting and technical services	**91,100**	61,653	25,313
Total	**2,228,445**	932,406	683,686

Contract liabilities include long-term and short-term advances received to render construction services and design, feasibility research, consulting and technical services. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services and design, feasibility research, consulting and technical services at the end of the year, respectively.

(b) Other payables are non-interest-bearing and repayable on demand other than the government grant with specified conditions with which Group must comply during the specified period.

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25. OTHER PAYABLES AND ACCRUALS *(continued)*

The amounts of contract liabilities with related companies are as follows:

	2023 RMB'000	2022 RMB'000
Related companies		
Lianhong Wison (as defined in note 31)	**3,985**	–
Wison Offshore Marine Shanghai (as defined in note 31)	**791**	–
Total	**4,776**	–

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Current		
Bank loans — secured	**305,216**	258,603
Bank loans — unsecured	**67,214**	249,929
Current portion of long term bank loans — secured	**59,363**	679,100
Other loans — unsecured	**97,316**	–
Total — current	**529,109**	1,187,632
Non-current		
Bank loans — secured	**561,000**	–
Total	**1,090,109**	1,187,632

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

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

	2023		2022	
	Effective interest Rate (%)	Maturity	Effective interest Rate (%)	Maturity
Bank loans	**3.45 to 5.88**	**2024–2034**	3.70 to 5.88	2023–2034
Others loans	**5.80 to 8.65**	**2024**	–	–

The carrying amounts of borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**992,793**	1,187,632
US$	**24,902**	–
SGD	**72,414**	–
Total	**1,090,109**	1,187,632

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2023 RMB'000	2022 RMB'000
Fixed interest rate	**397,332**	1,087,522
Variable interest rate	**692,777**	100,110
Total	**1,090,109**	1,187,632

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26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**431,793**	1,187,632
In the second year	**58,500**	–
In the third to fifth years, inclusive	**175,500**	–
Beyond five years	**327,000**	–
Subtotal	**992,793**	1,187,632
Other borrowings repayable:		
Within one year	**97,316**	–
Total	**1,090,109**	1,187,632

Certain of the Group's bank loan is secured by the following assets:

	Notes	2023 RMB'000	2022 RMB'000
Building and leasehold land	13	**3,475,716**	3,494,142

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

Certain bank has granted credit facilities to the Group for which the right of receiving rental income from a property of the Group for future years and the related bank account with bank balances of RMB64,763,000 as at 31 December 2023 (31 December 2022: RMB7,339,000) have been pledged as security.

The Group's other loans are unsecured, bear interest at 5.8% which is denominated in United States dollars, and 3% above the SORA per annum which is denominated in Singapore dollars, respectively. The other loans are repayable by the end of 2024.

27. DEFERRED TAX

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

Deferred tax liabilities

	2023				
	Right-of use assets RMB'000	Revaluation of buildings and land/related depreciation in excess of depreciation allowance RMB'000	Fair value adjustments investments at fair value through other comprehensive income RMB'000	Withholding taxes arising from distributable profits the PRC subsidiaries RMB'000	Total RMB'000
At 31 December 2022	–	394,496	2,803	720	398,019
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	5,563	(11,635)	–	–	(6,072)
Deferred tax charged/(credited) to the other comprehensive income during the year	–	12,342	(170)	–	12,172
Gross deferred tax liabilities at 31 December 2023	5,563	395,203	2,633	720	404,119

Deferred tax assets

	2023 Lease liabilities RMB'000
At 31 December 2022	–
Deferred tax credited to the statement of profit or loss during the year (note 10)	5,563
Gross deferred tax assets at 31 December 2023	5,563

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27. DEFERRED TAX *(continued)*

The movements in deferred tax liabilities and assets during the year are as follows: *(continued)*

Deferred tax liabilities

	2022				
	Right-of use assets RMB'000	Revaluation of buildings and land/related depreciation in excess of depreciation allowance RMB'000	Fair value adjustments investments at fair value through other comprehensive income RMB'000	Withholding taxes arising from distributable profits the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2022	464	391,862	–	720	393,046
Deferred tax credited to the statement of profit or loss during the year (note 10)	(464)	(11,216)	–	–	(11,680)
Deferred tax charged to the other comprehensive income during the year	–	13,850	2,803	–	16,653
Gross deferred tax liabilities at 31 December 2022	–	394,496	2,803	720	398,019

Deferred tax assets

	2022			
	Lease liabilities RMB'000	Impairment of financial and contract assets RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2022	459	28,657	1,191	30,307
Deferred tax charged to the statement of profit or loss during the year (note 10)	(459)	(28,657)	(1,191)	(30,307)
Gross deferred tax assets at 31 December 2022	–	–	–	–

27. DEFERRED TAX *(continued)*

The movements in deferred tax liabilities and assets during the year are as follows: *(continued)*

Deferred tax assets *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 **RMB'000**	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**398,556**	398,019

The Group has tax losses arising in Hong Kong of RMB149,514,000 (2022: RMB149,508,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Chinese Mainland of RMB1,278,324,000 (2022: RMB912,584,000) that will expire in four to ten years for offsetting against future taxable profits. The Group also has accumulated tax losses arising in the United States, Russia, Mexico, Singapore, Thailand, Venezuela, South Africa and Saudi Arabia of approximately RMB242,229,000 (2022: RMB271,157,000) which are available for offsetting against future taxable profits in five years to an infinite period.

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:

	2023 **RMB'000**	2022 RMB'000
Tax losses	**1,670,067**	1,333,249
Deductible temporary differences	**1,116,948**	1,250,039
	2,787,015	2,583,288

27. DEFERRED TAX *(continued)*

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. 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.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.The applicable rate is 5% for the Group.

At 31 December 2023, there was no significant unrecognised deferred tax liability (2022: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

28. GOVERNMENT GRANTS

	2023 **RMB'000**	2022 RMB'000
Carrying amount at beginning of the year	**3,986**	4,116
Received during the year	**6,141**	3,641
Released to profit or loss (note 6)	**(6,272)**	(3,771)
Carrying amount at end of the year	**3,855**	3,986

29. SHARE CAPITAL AND RESERVES

1) Shares

	2023	2022
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	**4,073,767,800**	4,073,767,800

	2023 **RMB'000**	2022 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	**330,578**	330,578

2) 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.

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Year ended 31 December 2023

29. SHARE CAPITAL AND RESERVES *(continued)*

3) Statutory reserve

(a) Special reserve account

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from retained earnings an amount to a safety production reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and the corresponding amounts of the safety production reserve fund were utilised and transferred back to retained earnings until such special reserve was fully utilised.

(b) 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, Jiangsu Wison 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 Jiangsu Wison, 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.

30. SHARE OPTION SCHEMES

1) Share Option Scheme

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 grants.

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 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' meetings. 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 should not exceed 1% of the relevant class of securities of the Company in issue.

On 14 November 2017, options involving 134,200,000 shares were granted to three then independent non-executive directors of the Company and 114 employees of the Group under the Share Option Scheme entitling the grantees to subscribe for a total of 134,200,000 shares at an exercise price of HK$1.744 per share. Subject to the satisfaction of certain performance targets by the relevant grantees of the options for the year immediately preceding each vesting date, 25% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th and 48th months after the date of grant. Vested options shall be exercisable until the expiry of a five-year period from the date of grant, being 13 November 2022.

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

The share options granted under the Share Option Scheme were expired since 13 November 2022.

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30. SHARE OPTION SCHEMES *(continued)*

1) Share Option Scheme *(continued)*

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

	2022 Weighted average exercise price HK$ per share	Number of options '000
At 1 January	1.744	107,138
Forfeited during the year	1.744	(107,138)
At 31 December		–

On 1 April 2021, options involving 30,000,000 shares were granted to an executive director of the Company under the Share Option Scheme entitling the grantee to subscribe for a total of 30,000,000 shares at an exercise price of HK$0.459 per share. Subject to the satisfaction of certain performance targets by the relevant grantee of the options for the year immediately preceding each vesting date, 20% of such options shall be vested and become exercisable on the trading day immediately following each of the 12th, 24th, 36th, 48th and 60th months after the date of grant. Vested options shall be exercisable until the expiry of a six-year period from the date of grant, being 31 March 2027.

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

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

	2022 Weighted average exercise price HK$ per share	Number of options '000
At 1 January	0.459	30,000
Forfeited during the year	0.459	(30,000)
At 31 December		–

30. SHARE OPTION SCHEMES *(continued)*

1) Share Option Scheme *(continued)*

As the vesting condition of certain performance targets of an executive director were not satisfied for the year ended 31 December 2022, a share option expense of RMB1,732,000 was reversed and the 6,000,000 shares granted is cancelled by forfeiture for failure to satisfy the vesting condition. Besides that, the outstanding 6,000,000 shares granted is also cancelled by forfeiture for failure to satisfy the vesting condition during the year ended 31 December 2022, as that executive director resigned from the Group with effect from 31 December 2022.

2) 2022 Share Option Scheme

On 20 December 2022, a share option scheme (the "2022 Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The 2022 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date of the 2022 Share Option Scheme. Pursuant to the 2022 Share Option Scheme, the Board may determine to an employee (whether full-time or part-time) or a director of the Company or any of its subsidiaries (the "Eligible Persons under 2022 Share Option Scheme") to subscribe for shares. An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The maximum number of shares which may be issued in respect of all options to be granted under the 2022 Share Option Scheme and any options or awards granted under any other share schemes (the "Other Schemes") of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the adoption date (the "2022 Scheme Mandate Limit"). The Board may, with the approval of the shareholders in general meeting, refresh the 2022 Scheme Mandate Limit after three years from the date on which the shareholders approve the last refreshment (or the adoption of the 2022 Share Option Scheme), provided that the total number of shares which may be issued upon in respect of all options to be granted under the 2022 Share Option Scheme and any options and awards to be granted under any Other Schemes under the 2022 Scheme Mandate Limit as refreshed must not exceed 10% of the number of Shares in issue as at the date on which the Shareholders approve the refreshment of the 2022 Scheme Mandate Limit.

Unless approved by the shareholders in a general meeting, no options shall be granted to any Eligible Persons under 2022 Share Option Scheme which, if exercised, would result in the number of shares issued and to be issued in respect of all options granted under the 2022 Share Option Scheme and any options or awards granted under any Other Schemes to such Eligible Persons under 2022 Share Option Scheme (excluding any options and awards lapsed pursuant to the terms of the relevant scheme(s)) in the 12-month period up to and including the date of offer of such options, in aggregate exceeds 1% of the shares in issue at such date.

At the end of the reporting period, there was no share option outstanding under the 2022 Share Option Scheme.

Notes to Financial Statements

Year ended 31 December 2023

31. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Fellow subsidiaries:			
Rental income from the properties and conference facilities, and income from the provision for property management services	(a)(i)	**37,016**	28,164
Rendering of services	(a)(v), (a)(vi)	**157,716**	45,482
Services received	(a)(v), (a)(vi), (a)(viii)	**24,362**	83,744
Collections and payments of utility charge, catering services and employees' salaries	(a)(i)	**18,006**	2,023
Loan advanced to a fellow subsidiary	(a)(ix)	**179**	–
Borrowing from a fellow subsidiary	(a)(ix)	**700**	–
Interest income	(a)(ix)	**19**	–
Associate:			
Rendering of services	(a)(vii)	**2,892**	42,961

Name of related parties	Relationship
Wison Holding	Wholly owned by Mr. Hua Bangsong (the beneficial controlling shareholder of the Company) and is the ultimate holding company of the Company
惠生清潔能源科技集團股份有限公司 ("Wison New Energies", formerly known as 惠生(南通)重工有限公司 (Wison (Nantong) Heavy Industry Co., Ltd., "Wison Nantong"))	Fellow subsidiary
惠生(中國)投資有限公司 ("Wison (China) Investment")	Fellow subsidiary
Wison Investment (Hong Kong) Limited ("Wison Investment (HK)")	Fellow subsidiary

31. RELATED PARTY TRANSACTIONS *(continued)*

Name of related parties	Relationship
舟山惠生海洋工程有限公司 (Zhoushan Wison offshore & Marine Co., Ltd., "Zhoushan Wison")	Indirectly owned by Wison Holding and is a fellow subsidiary of the Company
Wison Offshore & Marine (Hong Kong) Limited ("Wison Offshore Marine")	Fellow subsidiary
Wison Offshore & Marine (Russia) Limited ("Wison Offshore Marine (Russia)")	Fellow subsidiary
泰興天馬化工有限公司 (Taixing Tianma Chemical Engineering Co., Ltd., "Taixing Tianma")	Indirectly owned as to 15% by Wison Holding
上海惠生海洋工程有限公司 (Shanghai Wison Offshore & Marine Co., Ltd., "Wison Offshore Marine Shanghai")	Fellow subsidiary
惠生(泰州)新材料科技有限公司 (Wison (Taizhou) New Material Technology Co., Ltd., "Wison Taizhou")	Fellow subsidiary
Taixing Bohui	An associate of the Company
惠旭能源(江蘇)有限公司 (Huixu Energy (Jiangsu) Co., Ltd., "Huixu Energy")	Fellow subsidiary
聯泓惠生(江蘇)新材料有限公司 (Lianhong Wison New Material (Jiangsu) Co. Ltd., "Lianhong Wison")	Indirectly owned as to 30% by Wison Holding
Wison Clean Energy (Singapore) PTE. LTD. ("Wison Clean Energy")	Fellow subsidiary
Henan Chuangsite	An associate of the Company

Notes to Financial Statements

Year ended 31 December 2023

31. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(a)(i) On 30 June 2020, the Group entered into a property leasing framework agreement with Wison Holding and its affiliates, pursuant to which the Group leases properties and provides property management services and utility services for the premises of the Group and/or rents the conference facilities at the properties to Wison Holding and its affiliates.

On 22 December 2022, the Group entered into a new property leasing framework agreement with Wison Holding and its affiliates to renew the aforesaid property leasing framework agreement. The new property leasing framework agreement shall be for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

The aggregate income from the rentals, property management fees and conference facilities inclusive of value-added tax for the year ended 31 December 2023 from Wison (China) Investment, Wison Offshore Marine Shanghai and Huixu Energy under the property leasing framework agreement was RMB37,016,000 (2022: RMB28,164,000).

The collection and payment of utility charges, catering services and employees' salaries with Wison (China) Investment, Wison Investment (HK) and Wison Offshore Marine Shanghai for the year ended 31 December 2023 were RMB18,006,000 (2022: RMB2,023,000).

(a)(ii) 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 at nil consideration. The Domain Name Licence Agreement is for a perpetual term and may be terminated in certain circumstances, such as Wison Holding ceasing to be a shareholder of the Company.

(a)(iii) On 12 January 2018 and 28 February 2018, Wison Holding, as licensor, entered into trademark licensing agreements with the Group to grant the rights to use the trademarks by the Group in China and certain territories, such as Hong Kong, Russia, the United States of America, Australia, European Union, Singapore, Turkey, South Africa and Venezuela, respectively, on a perpetual and non-exclusive basis for nil consideration.

(a)(iv) On 1 March 2021, Wison (China) Investment granted a credit facility to the Group with an amount of RMB200,000,000 covering the period from 1 March 2021 to 30 September 2022. On 31 July 2022 and 31 January 2024, the Group has been granted a foregoing credit facility with an extended period from 1 October 2022 to 31 March 2024 and from 1 April 2024 to 30 September 2025, respectively. As at 31 December 2023, the Group had unused credit facilities of RMB200,000,000.

(a)(v) On 23 January 2020, the Company entered into a service agreement with Wison Holding. Pursuant to the agreement, the Group shall provide to Wison Holding and its subsidiaries ("Wison Group") consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the current and proposed business operations of Wison Group, and Wison Group shall provide to the Group information technology services and legal and compliance services. The term of the service agreement commences on 23 January 2020 and expires on 31 December 2022. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group under the service agreement are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administrative expenses actually incurred.

On 22 December 2022, the Company entered into a new service agreement with Wison Holding to renew the aforementioned service agreement. The term of the service agreement commences on 1 January 2023 and expires on 31 December 2025.

The service fee revenue recognised by the Group during the year ended 31 December 2023 from Wison Group was RMB3,548,000 (2022: RMB11,498,000). The cost of service fee incurred by the Group for services rendered by Wison Group during the year ended 31 December 2023 was RMB13,147,000 (2022: RMB5,462,000).

31. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(a)(vi) Wison Offshore Marine Shanghai, Wison New Energies, Wison Taizhou, Lianhong Wison, Wison (China) Investment and Taixing Tianma entered into construction service agreements with the Group, respectively. The relevant revenue recognised by the Group during the year ended 31 December 2023 was RMB154,168,000 (2022: RMB33,984,000). The relevant cost of service fee incurred by the Group for services rendered by Wison Group during the year ended 31 December 2023 was RMB6,190,000 (2022: RMB78,282,000). The trade receivables and contract assets relating to Wison Taizhou, Taixing Tianma, Wison (China) Investment and Wison Offshore Marine Shanghai are set out in note 20 and note 22, respectively. The contract liabilities relating to Lianhong Wison and Wison Offshore Marine Shanghai are set out in note 25.

(a)(vii) The Group entered into a construction service agreement with Taixing Bohui. The relevant revenue recognised by the Group during the year ended 31 December 2023 was RMB2,892,000 (2022: RMB42,961,000). The trade receivable relating to Taixing Bohui and contract assets with Taixing Bohui are set out in note 20 and note 22, respectively.

(a)(viii) On 22 December 2022, the Group and Wison Holdings entered into the entrustment guarantee agreement in relation to the guarantee provided by Wison Holding for the Group in favour of Zapsibneftekhim LLC, and the Group shall pay a guarantee fee to Wison Holding calculated based on 0.5% per annum of the total principal amount of the guarantee liability stated in the entrustment guarantee agreement. The maximum guarantee fee is RMB30,150,000 with the guarantee period from 1 January 2023 to 31 December 2028. The relevant guarantee fee incurred by the Group during the year ended 31 December 2023 was RMB5,025,000 (2022: Nil). At 31 December 2023, the long-term prepayments to Wison Holdings were RMB4,975,000 (31 December 2022: RMB10,000,000).

(a)(ix) During the year ended 31 December 2023, the Group borrowed RMB700,000 (2022: Nil) from Wison Clean Energy which is unsecured, interest free and repayable on demand. The Group advanced RMB440,000 (2022: Nil) to Wison Offshore Marine (Russia) which is unsecured, bears interest at 7.2% per annum and repayable on demand, and the interest income recognised by the Group was RMB19,000 (2022: Nil).

In the opinion of the directors of the Company, the transactions between the Group and Wison New Energies, Wison (China) Investment, Wison Investment (HK), Zhoushan Wison, Wison Offshore Marine, Wison Offshore Marine Shanghai, Wison Offshore Marine (Russia), Wison Taizhou, Lianhong Wison, Huixu Energy, Taixing Tianma, Wison Clean Energy, Wison Offshore Marine (Russia), Wison Holdings and Taixing Bohui were conducted based on mutually agreed terms.

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Year ended 31 December 2023

31. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(b) Balances with related parties:

	2023 RMB'000	2022 RMB'000
Due from fellow subsidiaries:		
Wison (China) Investment	**35,085**	38,171
Wison Investment (HK)	**19,373**	12,687
Wison Offshore Marine Shanghai	**16,270**	17,786
Huixu Energy	**4,714**	4,714
Wison Offshore Marine	**4,544**	9,596
Wison New Energies	**194**	47
Wison Offshore Marine (Russia)	**179**	–
Wison Taizhou	**130**	6,320
	80,489	89,321
Due to fellow subsidiaries:		
Zhoushan Wison	**174**	4
Wison (China) Investment	**166**	147
	340	151
Due to an associate:		
Henan Chuangsite	**630**	630

The balances with fellow subsidiaries and an associate are unsecured, interest-free and repayable on demand except the loan to Wison Offshore Marine (Russia). The carrying amounts of the balances with the related parties approximate to their fair values.

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	**5,307**	3,452
Total compensation paid to key management personnel	**5,307**	3,452

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

32. 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:

2023

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	271,076	–	271,076
Trade receivables	–	473,716	473,716
Bills receivable	–	94,421	94,421
Financial assets included in prepayments and other receivables (note 21)	–	59,350	59,350
Due from fellow subsidiaries	–	80,489	80,489
Pledged bank balances and time deposits	–	785,890	785,890
Cash and cash equivalents	–	901,834	901,834
Total	271,076	2,395,700	2,666,776

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,726,414
Financial liabilities included in other payables and accruals (note 25)	116,217
Due to fellow subsidiaries	340
Due to an associate	630
Interest-bearing bank and other borrowings	1,090,109
Total	3,933,710

Notes to Financial Statements

Year ended 31 December 2023

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2022

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	245,875	–	245,875
Trade receivables	–	529,681	529,681
Bills receivable	–	81,331	81,331
Financial assets included in prepayments and other receivables (note 21)	–	154,217	154,217
Due from fellow subsidiaries	–	89,321	89,321
Pledged bank balances and time deposits	–	587,349	587,349
Cash and cash equivalents	–	383,592	383,592
Total	245,875	1,825,491	2,071,366

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	3,143,283
Financial liabilities included in other payables and accruals (note 25)	114,733
Due to fellow subsidiaries	151
Due to an associate	630
Interest-bearing bank and other borrowings	1,187,632
Total	4,446,429

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the "Endorsed Bills") with a carrying amount of RMB32,745,000 (2022: RMB12,791,000) 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 to which the suppliers had recourse was RMB32,745,000 (2022: RMB12,791,000) as at 31 December 2023.

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (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 RMB73,611,000 (2022: RMB132,356,000). The Derecognised Bills had a maturity of six to twelve months at 31 December 2023. 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 2023, 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.

33. CONTINGENT LIABILITIES

The Group had the following significant pending litigations at the end of the reporting period:

(1) During 2023, a sub-contractor of Wison Engineering filed a claim to the People's Court of Taixing City, Jiangsu Province in Chinese Mainland against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB23,223,000.

(2) During 2023, a sub-contractor of Wison Engineering filed a claim to the People's Court of Pengzhou city, Sichuan Province in Chinese Mainland against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB14,540,000. As at 31 December 2023, a certain bank account of Wison Engineering of RMB14,540,000 was frozen by the People's Court of Pengzhou City, Sichuan Province for property preservation.

(3) During 2023, a sub-contractor of Wison Engineering filed a claim to the People's Court of Pudong District, Shanghai City in Chinese Mainland against Wison Engineering for an additional payment of construction costs and the interest arising from the overdue payment of construction costs of approximately RMB4,330,000.

(4) During 2023, a sub-contractor of Wison Engineering filed a claim to the People's Court of Dongming District, Heze City, Shandong Province in Chinese Mainland against Wison Engineering for an additional payment of construction costs and liquidation damages of approximately RMB8,312,000.

(5) During 2023, a sub-contractor of Wison Engineering filed a claim to the People's Court of Pengzhou city, Sichuan Province in Chinese Mainland against Wison Engineering for an additional payment of construction costs and liquidation damages of approximately RMB35,155,000.

As of the date of approval of the financial statements, for cases (1), (2) and (3) above, Wison Engineering, Jiangsu Wison and their respective subcontractors have completed the first pre-trial evidence exchange in court and cross-examination. The trials of case (4) and case (5) are yet to be scheduled.

For case (5) which is without merits, the possibility for the Group being subject to additional payment claims is expected to be remote on the basis of the available evidence and legal advice obtained, the directors of the Company are of the opinion that no additional provision is required. For the other four cases, the directors of the Company are of the opinion that an additional provision is necessary and has been made.

34. COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are RMB2,240,000 due within one year and RMB24,000 due in the second to fifth years.

35. 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	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**271,076**	245,875	**271,076**	245,875
Financial liabilities				
Interest-bearing bank and other borrowings	**620,363**	–	**628,942**	–

Management has assessed that the fair values of cash and cash balances, pledged bank balances and time deposits, amounts due from fellow subsidiaries, trade and bills receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities, amounts due to fellow subsidiaries and an amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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Year ended 31 December 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the non-current portion of trade payables and other payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple, price to earnings ("P/E") multiple and price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the price per share of the comparable company by net assets value or earnings per share. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range/ratio	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	0.77 to 4.69 (2022: 0.77 to 3.63)	10% (2022: 10%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB4,652,000 (2022: RMB4,739,000)
		Average P/E multiple of peers	13.71 to 50.24 (2022: 11.33 to 198.02)	10% (2022: 10%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB2,063,000 (2022: RMB2,935,000)
		Average P/S multiple of peers	1.06 to 11.81 (2022:NA)	10% (2022: NA) increase/ decrease in multiple would result in increase/decrease in fair value by RMB912,000 (2022: NA)
		Discount for lack of marketability	20% to 25% (2022: 20% to 25%)	10% (2022: 10%) increase/ decrease in discount would result in decrease/increase in fair value by RMB2,371,000 (2022: RMB2,406,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	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
Equity investments designated at fair value through other comprehensive income	**191,590**	**–**	**79,486**	**271,076**

As at 31 December 2022

	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
Equity investments designated at fair value through other comprehensive income	165,678	–	80,197	245,875

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Equity investments at fair value through other comprehensive income		
At 1 January	**80,197**	87,964
Total losses recognised in other comprehensive income	**(711)**	(7,767)
At 31 December	**79,486**	80,197

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 for both financial assets and financial liabilities (2022: Nil).

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

Liabilities for which fair values are disclosed:

As at 31 December 2023

	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**
Trade payables, non-current portion	**–**	**–**	**543,259**	**543,259**
Other payables, non-current portion	**–**	**–**	**31,091**	**31,091**
Total	**–**	**–**	**574,350**	**574,350**

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Liabilities for which fair values are disclosed: ***(continued)***

As at 31 December 2022

	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
Trade payables, non-current portion	–	–	874,098	874,098
Other payables, non-current portion	–	–	2,194	2,194
Total	–	–	876,292	876,292

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, pledged bank balances and time deposits, amounts due from fellow subsidiaries, interest-bearing bank and other borrowings, amounts due to fellow subsidiaries and an amount due to an associate. 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.

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 foreign currency risk, credit risk and liquidity risk. 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:

Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

As a result of the foreign currency bank balances and various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, the Group's statement of financial position can be affected significantly by movements in the exchange rates of US$, Euro ("EUR") against RMB.

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

	Increase/ (decrease) in rate %	Increase/ (decrease) in loss before tax RMB'000
Year ended 31 December 2023		
If the RMB weakens against the US$	5	(12,187)
If the RMB strengthens against the US$	5	12,187
If the RMB weakens against the EUR	5	(5,545)
If the RMB strengthens against the EUR	5	5,545
If the RMB weakens against the JPY	5	(2,163)
If the RMB strengthens against the JPY	5	2,163

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in rate %	Increase/ (decrease) in loss before tax RMB'000
Year ended 31 December 2022		
If the RMB weakens against the US$	5	(12,461)
If the RMB strengthens against the US$	5	12,461
If the RMB weakens against the EUR	5	(180)
If the RMB strengthens against the EUR	5	180

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,171,402	2,171,402
Trade receivables*	–	–	–	1,070,771	1,070,771
Bills receivable	94,421	–	–	–	94,421
Financial assets included in prepayments and other receivables — Normal**	61,258	–	–	–	61,258
Due from fellow subsidiaries	80,489	–	–	–	80,489
Pledged bank balances and time deposits	785,890	–	–	–	785,890
Cash and bank balances	901,834	–	–	–	901,834
Total	1,923,892	–	–	3,242,173	5,166,065

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,690,902	2,690,902
Trade receivables*	–	–	–	1,203,684	1,203,684
Bills receivable	81,331	–	–	–	81,331
Financial assets included in prepayments and other receivables					
— Normal**	159,401	–	–	–	159,401
Due from fellow subsidiaries	89,321	–	–	–	89,321
Pledged bank balances and time deposits	587,349	–	–	–	587,349
Cash and bank balances	383,592	–	–	–	383,592
Total	1,300,994	–	–	3,894,586	5,195,580

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 26% (2022: 28%) and 72% (2022: 62%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively, within the EPC segment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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, lease liabilities, amounts due to fellow subsidiaries and an amount due to an associate. Cash flows are closely monitored on an ongoing basis.

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

Group

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2023					
Lease liabilities	–	3,650	9,147	21,200	33,997
Interest-bearing bank and other borrowings	–	71,417	502,448	698,704	1,272,569
Trade and other payables	–	1,733,319	455,588	562,316	2,751,223
Due to fellow subsidiaries	–	340	–	–	340
Due to an associate	630	–	–	–	630
Total	630	1,808,726	967,183	1,282,220	4,058,759

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2022					
Lease liabilities	–	846	9,949	28,998	39,793
Interest-bearing bank and other borrowings	989,447	2,052	181,702	–	1,173,201
Trade and other payables	–	2,225,661	160,066	907,794	3,293,521
Due to fellow subsidiaries	–	151	–	–	151
Due to an associate	630	–	–	–	630
Total	990,077	2,228,710	351,717	936,792	4,507,296

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment included in equity investments designated at fair value through other comprehensive income (note 18) as at 31 December 2023. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2023	**High/low 2023**	31 December 2022	High/low 2022
Hong Kong — Hang Seng Index	**17,047**	**22,689/16,201**	20,030	25,050/14,597

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

	Carrying amount of equity investments RMB'000	**Increase/ (decrease) in equity* RMB'000**
2023		
Investments listed in:		
Hong Kong — Equity investments at fair value through other comprehensive income	**191,590**	**9,580**
Unlisted investments at fair value:		
— Equity investments designated at fair value through other comprehensive income	**79,486**	**3,974**

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in equity* RMB'000
2022		
Investments listed in:		
Hong Kong — Equity investments at fair value through other comprehensive income	165,678	8,284
Unlisted investments at fair value:		
— Equity investments designated at fair value through other comprehensive income	80,197	4,010

* Excluding retained profits

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 2023 and 2022.

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

	2023 **RMB'000**	2022 RMB'000
Interest-bearing bank and other borrowings	**1,090,109**	1,187,632
Total debt	**1,090,109**	1,187,632
Total equity	**2,448,783**	2,575,601
Gearing ratio	**45%**	46%

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,332,000 (2022: RMB29,355,000) and RMB4,278,000 (2022: RMB29,355,000), respectively, in respect of lease arrangements for properties which did not result in any cash flow.

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities RMB'000	Interests-bearing bank and other borrowings RMB'000
At 1 January 2023	**31,924**	**1,187,632**
Changes from financing cash flows	**(9,036)**	**(97,523)**
New leases (note 14)	**4,278**	**–**
Interest expense (note 7)	**1,069**	**–**
Interest paid classified as operating cash flows	**(1,069)**	**–**
At 31 December 2023	**27,166**	**1,090,109**

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities *(continued)*

2022

	Lease liabilities RMB'000	Interests-bearing bank and other borrowings RMB'000
At 1 January 2022	19,930	1,173,038
Changes from financing cash flows	(17,361)	14,594
New leases (note 14)	29,355	–
Interest expense (note 7)	695	–
Interest paid classified as operating cash flows	(695)	–
At 31 December 2022	31,924	1,187,632

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**8,068**	9,873
Within financing activities	**9,036**	17,361
Total	**17,104**	27,234

38. 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:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Equity investments designated at fair value through other comprehensive income	**–**	–
Total non-current assets	**1**	1
CURRENT ASSETS		
Due from subsidiaries	**825,889**	730,361
Prepayments and other receivables	**430**	417
Dividends receivables	**744,276**	744,276
Cash and cash equivalents	**2,809**	4,227
Equity investments designated at fair value through other comprehensive income	**191,590**	165,678
Total current assets	**1,764,994**	1,644,959
CURRENT LIABILITIES		
Other payables and accruals	**4,011**	4,011
Due to subsidiaries	**11,175**	11,157
Other borrowing	**72,414**	–
Total current liabilities	**87,600**	15,168
NET CURRENT ASSETS	**1,677,394**	1,629,791
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,677,395**	1,629,792
Net assets	**1,677,395**	1,629,792
EQUITY		
Share capital	**330,578**	330,578
Reserves (Note)	**1,346,817**	1,299,214
Total equity	**1,677,395**	1,629,792

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38. 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 reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	97,999	869,201	84,936	(51,788)	259,153	1,259,501
Total comprehensive income for the year	–	–	–	–	14,206	14,206
Other comprehensive income for the year:	–	–	–	–	–	–
Changes in fair value of equity investments at fair value through other comprehensive income	–	–	–	27,239	–	27,239
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	49	(49)	–
Equity-settled share option arrangements	(1,732)	–	–	–	–	(1,732)
Transfer of share option reserve upon the expiry of share options	(96,267)	–	–	–	96,267	–
At 31 December 2022 and 1 January 2023	**–**	**869,201**	**84,936**	**(24,500)**	**369,577**	**1,299,214**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**894**	**894**
Other comprehensive income for the year:	**–**	**–**	**–**	**–**	**–**	**–**
Changes in fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**46,709**	**–**	**46,709**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**(532)**	**532**	**–**
At 31 December 2023	**–**	**869,201**	**84,936**	**21,677**	**371,003**	**1,346,817**

The share option reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments 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.

39. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in the financial statements, there are no events after the reporting date that require disclosure in these financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.