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WISON ENGINEERING SERVICES CO. LTD.
惠生工程技術服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2236)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS:

- Our revenue for the year ended 31 December 2018 amounted to approximately RMB3,256,478,000, representing a decrease of 21.1% from approximately RMB4,124,790,000 recorded in 2017.
- Our gross profit for the year ended 31 December 2018 amounted to approximately RMB498,872,000, representing a decrease of 42.1% from approximately RMB861,158,000 recorded in 2017.
- Our net profit for the year ended 31 December 2018 amounted to approximately RMB59,953,000, representing a decrease of 63.8% from approximately RMB165,719,000 recorded in 2017.
- Profit attributable to owners of the parent for the year ended 31 December 2018 amounted to approximately RMB56,301,000, representing a decrease of 59.3% from approximately RMB138,306,000 recorded in 2017.
- Our total new contract value (net of estimated value added tax) for the year ended 31 December 2018 amounted to approximately RMB7,167,535,000, representing an increase of 129.8% from approximately RMB3,118,566,000 recorded in the corresponding period in 2017.
- Our total backlog value (net of estimated value added tax) as at 31 December 2018 amounted to approximately RMB13,199,055,000, representing an increase of 40.1% from approximately RMB9,419,600,000 recorded as at 31 December 2017.
- The Board recommends a final dividend of RMB0.0043 (equivalent to HK$0.0050) per ordinary share.

BUSINESS OVERVIEW

Overall Review

In 2018, Wison Engineering Services Co. Ltd. (the "Company", together with its subsidiaries, the "Group") brought out the Group's internal philosophy of "A New Voyage, A New Venture" to focus efforts to pursue entrepreneurship. In spite of various external challenges and changes, the Group was dedicated and determined to becoming a leading and renowned energy and chemical technology engineering solutions provider in Mainland China and international markets.

Taking full advantage of the flexibility of the operating mechanism of a private enterprise, the Group fully grasped the opportunity of rising international oil prices and increasing investment sentiment for fixed asset in the industry, and expanded into domestic and overseas markets in line with the international development strategy in all aspects in 2018. Meanwhile, the Group continued to increase strategic investments in refined project management, value creation by digitalization and modularization, and technology research and development to continuously consolidate our core competitive advantages. Leveraging on its technological advantage and outstanding execution ability, the Group achieved fruitful results and speeded up its pace towards to a new stage of development. During the Period under Review, the total new contract value secured by the Group amounted to approximately RMB7,167.5 million (net of estimated value added tax), representing a year-on-year increase of 129.8%. As at 31 December 2018, total backlog value was approximately RMB13,199.1 million (net of estimated value added tax), representing a significant increase compared to the same period in 2017.

Market Environment

The Group's business is closely related to the capital expenditure and operating expenses of the industry and its customers. Therefore, the external changes of the environment such as the macroeconomic conditions, the trends of energy prices such as oil and coal, and technological innovation and advancement will have an impact on the Group's market environment.

In 2018, the world economy sustained moderate growth, but the momentum has slowed down. According to the forecast of the International Monetary Fund, the world GDP growth rate in 2018 was basically the same as that in 2017. Except for the growth rate of a few economies, such as the United States, which continued to rise, the economic growth rate of most of the other economies has declined.

During the period, the order of international energy underwent extensive correction, oil prices fluctuated sharply, the process of light and diversified chemical materials accelerated, and clean energy continued to grow strongly. The development of the global fossil fuels, especially energy utilization, has entered into a stage of in-depth optimization and adjustments.

Despite of experiencing a high level of volatility during the period, the recovery momentum of energy prices (represented by international oil prices) has persisted since the lowest peak in 2015. The Group's customers continued to invest in the development of downstream high-value chemical products to improve profitability and flatten out fluctuations of the operating revenue.

Driven by the increased energy efficiency and increased supply of new energy, the application of traditional fossil fuels such as oil and coal are gradually declining. On the other hand, the application of chemical raw materials are gradually increasing. In addition to traditional crude oil and coal, the global supply of low-carbon hydrocarbon fuels such as natural gas, ethane and propane has also greatly enriched the diversified development of sources of chemical raw materials and further reduced the global dependence on crude oil.

In the field of clean energy, the governments have been increasing efforts in the development of clean energy. As emerging new energy has gained popularity in energy market, the growth of gasoline and diesel has shown signs of slowing down. With the enhanced global awareness of energy conservation and environmental protection, the momentum for the rapid growth of clean energy utilization and environmental engineering market will continue.

The Asian market led by Mainland China continued to demonstrate strong demand and vitality. The global energy and chemical market has been shifting to the Asia-Pacific region, leading Mainland China to become the main investment destination for global energy and chemical investment. As the recovery momentum of the energy and chemical industry, which is mainly based on petrochemicals and coal-to-chemicals industry, has persisted since the second half of last year, the growth of investment in energy and chemical industry will sustain. On the other hand, the investment proportion of private enterprises in the energy and chemical industry has increased rapidly and this became the main driving force for industry growth.

In the international market, the energy and chemical industry was in the stage of recovery in general, and capital expenditures were expanding. At the same time, the trends in different regions and markets varied from one another. The Chinese enterprises also actively responded to the "Belt and Road" initiative and efforts were made on deploying the layout of overseas markets, and Mainland China has become an important driving force for the global energy development.

The Middle East market will continue to increase its investment in the downstream chemical market to reduce the reliance on crude oil extraction and export, and to further extend the crude oil industry chain and enhance the value of utilization. This will provide more market opportunities for refining and chemical engineering as well as downstream extension of chemical engineering. In consideration of abundant supply of shale oil and gas, the production cost of petrochemical products has significantly decreased in the United States. Coupled with the implementation of the tax reduction bill, capital was drawn to the United States to invest in basic chemicals. During the period, the Group also participated in the proposal for the FEED (front-end engineering design) and turnkey contracts of several large-scale projects.

The economic growth sustained in Southeast Asia, and investment in the energy and chemical industry has also maintained steady growth. The Group will continue to pay attention to refinery and petrochemical, LNG terminal and coal/gas power generation projects. With abundant oil and natural gas resources and close regional ties between Russia and Central Asia, many new business opportunities arise in the petrochemical engineering sector. The African region is rich in resources with large population and broad market prospects, and has great growth potential in the markets of energy infrastructure and engineering work for fertilizers and downstream chemicals.

The Group's overseas projects and future business opportunities for overseas expansion are mostly located in the "Belt and Road" regions with abundant resources. However, there is a common problem of poor energy infrastructure and under-utilisation of resources. Chinese engineering companies will play key roles in the "Belt and Road" initiative, especially those companies, such as the Group, which are able to respond quickly to the market and have rich experience in EPC turnkey contracts. These companies can help to improve the infrastructure in the region and better utilization of resources, which will promote the local economic development and the domestic production capacity and enhance the international competitiveness and influence of the manufacturing sector in Mainland China. Meanwhile, in view of the great market demand in Mainland China, the local resources can be further utilized to explore the Chinese market, thereby creating mutual benefits for regions along "Belt and Road".

With years of efforts in the international market, the Group's performance in the international market has been widely recognized by the owners and the Group's unique competitive edges in international market are reflected in its price advantage and construction period control. These advantages are essentially derived from the Group's rapid response to the market, strong execution ability, market-oriented operation systems, and flexible and rational employment system. Underpinned by strategic partnerships and extensive international experience, the Group will further develop the international market.

FINANCIAL HIGHLIGHTS

For the twelve months ended 31 December 2018 (the "Period under Review"), revenue of the Group amounted to approximately RMB3,256.5 million (for the twelve months ended 31 December 2017: approximately RMB4,124.8 million), representing a year-on-year decrease of 21.1%. The decrease in revenue was mainly because the projects under construction of the Group during the year have reached the late construction phase while new orders obtained by the Group during the year have not entered the peak construction stage, resulting a year-on-year decrease in revenue recognized. The gross profit amounted to approximately RMB498.9 million (for the twelve months ended 31 December 2017: approximately RMB861.2 million), representing a year-on-year decrease of 42.1%. During the period, profit attributable to owners of the parent amounted to approximately RMB56.3 million (for the twelve months ended 31 December 2017: approximately RMB138.3 million), representing a year-on-year decrease of 59.3%. The decrease in profit attributable to owners of the parent was mainly attributable to the decrease in revenue and gross profit of the Company during the Period under Review, and a year-on-year increase in the overall expenses as compared with the previous period.

During the Period under Review, the net cash flow from operating activities, investing activities and financing activities amounted to RMB666.7 million (net cash inflow), RMB71.9 million (net cash inflow) and RMB744.1 million (net cash outflow), respectively.

During the Period under Review, the Group's total new contract value amounted to approximately RMB7,167.5 million (for the twelve months ended 31 December 2017: RMB3,118.6 million) (net of estimated value added tax, same hereinafter), representing a year-on-year increase of 129.8%, of which EPC accounted for 97.0%. For revenue breakdown by operating industries of our clients, petrochemicals business and coal-to-chemicals business accounted for 62.7% and 30.0%, respectively. During the Period under Review, the total backlog value (net of estimated value added tax, same hereinafter) was approximately RMB13,199.1 million (for the same period in 2017: approximately RMB9,419.6 million), representing an increase of 40.1%.

BUSINESS AND OPERATIONS REVIEW

Domestic Markets:

During the Period under Review, international oil prices were within a reasonable price range. Along with upgrading domestic consumption and increasing environmental protection requirements in Mainland China, the investment in bulk basic chemical raw materials and fine chemicals market remained strong. Fixed assets investment in the domestic chemical industry brought a short boom to the market and several large-scale integration plant projects have been implemented. The Group seized the opportunity amid market recovery to further expand its business in the domestic market and deepened customer development, and it also raised the service and delivery standards for projects. During the Period under Review, the Group recorded new contract of domestic market with a value amounting to approximately RMB3,056.9 million. There were 12 EPC projects under construction, of which 3 EPC projects were completed and delivered at high standard. The Group's performance in domestic market is highly recognized and significant progress has been made in several key domestic projects.

Delivery of ethylene cracking furnace modules for Zhejiang Petrochemical: The Group secured the contract from Zhejiang Petrochemical Co., Ltd. (浙江石油化工有限公司) for the delivery of 1,400kta ethylene cracking furnace module project for 40,000kta Refining Chemical Integration Project (Phase I). Capitalizing on its technological and talents advantages, and excellent project management and execution capabilities accumulated over the years, Wison Engineering has completed the integrated modularized delivery as set out in the contract. This project is the largest liquid feedstock cracking furnace in the world, which is modularized designed, fabricated and delivered by integrated shipping, addressing the issues of separated transportation of parts and on-site construction constraints, long construction period of on-site construction, and difficulties in assuring project quality and safety of large scale projects. The successful delivery further consolidates our leading edges in ethylene sector, and gains the trust of global energy and chemical customers for the Group while sets an industry benchmark for the ability to provide solution for integrated module delivery.

Nanjing Chengzhi Project utilized proprietary Methanol-to-Olefin ("MTO") Separation Technology" and "Butene Oxidation and Dehydrogenation Technology": The Group was awarded an EPC contract for engineering management, procurement and construction ("EPC") of a 600kta MTO plant and a 100kta butadiene plant by Nanjing Chengzhi Yongqing Energy Technology Co., Ltd (南京誠志永清能源科技有限公司). The project is an important integral part of coal-to-chemicals integration plant of Nanjing Chengzhi, which is also the second time that Nanjing Chengzhi selected the MTO separation technology independently developed by the Group, together with another proprietary technology of falling film heat exchange and absorption developed by the Group, to ensure high product recovery rate of the ethylene device and further improve economic efficiency. Moreover, the proprietary butene oxidation and dehydrogenation technology developed by the Group, reaching an internationally advanced level, is also applied in the project. This technology provides higher raw material transformation rate and wide selection in product offering. By making full use of C4 fraction, by-product of MTO device, butadiene products are produced to broadly apply to new materials such as rubber and nylon, thereby further enhancing the competitiveness of customers in a complex and volatile market environment. During the Period under Review, the installation of the process pipeline, electricity equipment, meters, and thermal equipment of the project was fully completed, and entered the stage of trial run. The project schedule, quality and safety were highly controlled.

Hami project demonstrated the Group's technical and engineering management capabilities in the field of clean coal utilization: The Group was awarded an EPC contract for 2,400kta semi-coke carbon clean utilization project and the newly developed 200kta coal tar intensive processing and utilities project of Hongxing Fourth Development Zone by Hami Tianhe Investment Co. Ltd. (哈密天合投資有限公司). It included the overall design, utility engineering design and detailed design as well as the engineering design, procurement and construction (EPC) of two main devices. "Circulated fluidized bed combustion and graded and cascaded coal conversion and utilization technology" (煤炭雙流化床熱解燃燒分級轉化分質利用技術), one of the major national R&D projects, is utilized for the first time in the project. Local coal is converted into high value-added oil and gas products and semi-coke, which has a broad market in the Northwest region, to carry out the first combined industrial production of gas, semi-coke and tar, thereby substantially reduce water consumption and energy consumption. During the Period under Review, the project has initiated the overall design work of the entire plant. The Group actively responded to the national policy guidelines of "active promotion of graded and cascaded utilization of coal". In the field of coal clean utilization, technical reserve and business layout have been carried out for many years and thus the Group is equipped with strong technique amplification and engineering transformation capability.

Qiwangda project upgraded and transformed the integration technology for high energy-consumption petrochemical industry chain: The Group was awarded an EPC contract for the Reaction Conversion Furnace Zone Upgrading and Revamping Project, which is a critical part of the Raw Material Pretreatment Unit of 500kta Styrene Production Complex by Shandong Qiwangda Petrochemical Ltd. (山東齊旺達石油化工有限公司). The project adopted the complete set of ethylene cracking and olefin separation technology independently developed by the Group. The original by product naphtha is the main raw material. By further processing ethylene and purchased benzene into high value-added styrene products, the Group carries out industry chain integration and promoted high quality development for its customers, achieving balanced development of oil refineries and downstream high-end petrochemical production. The project drives the transformation of Qiwangda, through downstream extension of industry chain and industrial upgrading, so that bottleneck of the development of the traditional refining industry shall be addressed. During the Period under Review, the project has fully commenced the price consultation of process design package and long-term key equipment.

International Market:

During the Period under Review, the international political situation and the global economic instability have cast uncertainty on the international energy market, causing substantial fluctuations in oil prices and chemical product prices. The global crude oil supply pattern has changed dramatically and tended to be driven by political factors, highlighting the importance of North America and the Middle East in the international energy and chemical market. Changes in the international energy and chemical market imply that the market is full of possibilities, which present both challenges and opportunities for the Group. During the Period under Review, the Group secured new overseas contracts of 14 projects in total with a contract value of approximately RMB4,110.6 million, mainly located in North America and the Middle East.

With nearly a decade of dedicated work, the Group's strategies of internationalized operations and market expansion have been improved. Localized marketing initiatives have been rolled out and project execution teams were formed in different strategic regions. During the Period under Review, the Group has established an international marketing team consisting of nearly 100 talents and set up an efficient and comprehensive cooperation mechanism integrating the functions of international marketing, project quotation and international commerce. By accelerating the global business deployment, the Group has established 11 marketing focus areas and 2 project execution centers across 4 continents, covering the key customers and project opportunities in petrochemical, refining, coal chemical, oil and gas, and power infrastructure industries in over 30 countries and regions. Regarding project execution, the Group has executed multi-dimensional control of cost, schedule and safety by team localization, efficient response to demands, and establishment of advanced project management system in line with international standards, and customer satisfaction has been continuously improved.

The Middle East: The Middle East is the most competitive developed market in the global energy and chemical engineering industry, and also the most important areas in the Group's globalization strategy. Exceptional performance of the delivered projects highlighted the Group's outstanding capabilities in project execution, engineering quality and safety management, and resource integration in the Middle East. Since 2012, the Group has delivered 7 projects for SABIC in Saudi Arabia and 1 project for Borouge in the UAE with high standards, building trustful and mutually beneficial relationships with our customers, and setting a premium brand image of Chinese engineering enterprises in the Middle East. The projects would also give a "radiation effect" on the other Middle East regions. The Group has established an outstanding trusted marketing, planning and execution team for its customers in the Middle East, which will help further expand the market in the Middle East.

During the Period under Review, the Group managed to deliver SABIC IBN ZAHR project 52 days ahead of schedule, and the number of days ahead of the contract period is unprecedented for SABIC. The Group's commitment of delivering projects with high quality and high standards has been fulfilled. In addition, an engineering, procurement and construction (EPC) contract with a contract amount of US$150 million was entered into by the Group and SABIC. The project is a major component of the SABIC Technology Center test site and the supporting facility "STC-J" expansion project located in Jubail Industrial City, Saudi Arabia. It is SABIC's largest global investment in technology innovation. Upon completion, STC-J will become the world's largest technology research and development center of SABIC. The trust of the SABIC technology R&D management team in the Group is built on the Group's solid partnership with SABIC over the past decade and our impressive project execution and management experience and advantages in the field of new technology innovation.

During the Period under Review, the Group was awarded an Engineering, Procurement, Construction, Commissioning and Start-Up Works (EPCS) Project for the refinery sulfur recovery (SRU) by the United Arab Emirates Abu Dhabi National Oil Company (ADNOC). This project is an important step for ADNOC's downstream industry chain extension and asset allocation optimization, and also plays a significant role in increasing the value of its assets. The signing of the contract marks the high recognition and trust in the Group by its customers in refining and chemical industry in the Middle East, and further demonstrates the Group's business strategy of "gaining trust with performance" and "marketing with brands".

North America: North America is another major battlefield for the Group's globalization strategy. It is also a key area for the Group to establish an ecosystem of co-existence of competition and cooperation with leading European and American engineering companies. The Group focused on the development of modularized production which plays a strategic role in developing the North American market. High labour cost is one of the main issues in the North American market, and clients tend to be demanding over project schedules and labor costs. The issues of long construction period and great manpower required for on-site construction and the difficulties in quality and safety control encountered by the large-scale project adopting traditional model can be addressed by factory prefabrication, assembly and integrated delivery. This would greatly reduce the cost of manpower and material procurement for North America investment projects, and significantly shorten the project construction cycle and enhance the economic efficiency of the plant. This will set new benchmark for the Chinese companies in the most competitive market in the United States.

During the Period under Review, the Group's first modularized LDPE piperack project in Texas, the United States, was on a steady move. All design, procurement, module fabrication and transportation work were completed and have entered the final stage of pipe installation. In addition, the Group was awarded another EPC for modular conversion design, supply, material procurement, on-site construction and installation of a petrochemical project located in Texas, the United States with a contract amount of US$360 million. The project is the largest modular project currently undertaken by the Chinese energy and chemical engineering company in the United States. It fully demonstrated the recognition for the Group's overall process management and execution capabilities in modular design, construction, shipping and delivery. During the Period under Review, the overall progress of the project was nearly half completed. The work of base construction and on-site installation has progressed steadily. As the project schedule and quality were under strict control, there is zero case of accident.

Other regions: In addition to the key markets such as the Middle East and North America, the Group is determined to fully implement the internationalization strategy and will continue to strengthen the strategic investment in global marketing layout. More than ten branches have been established in the countries in the Commonwealth of Independent States, Latin America, Southeast Asia and Africa along "Belt and Road". The above-mentioned countries have great development potential with the advantages of resources, favourable policy orientation and market demand. The successful experience in the Middle East and North America allows us to win several preliminary projects in the other regions mentioned above. Through the integration of various resources of the preliminary consulting services in the value chain, the Group is expected to achieve substantial breakthroughs in these areas.

Technology Research and Development

2018 marks a year of technological innovation and advancement for the Group. By adhering to the objectives of "improving people's livelihood with innovative technology", the Group focused on the forward-leaping development of cutting edge technologies, green design, low-carbon energy-saving chemical technology process, strived to build a core competitiveness driven by technological innovation and cultivated a skilled technical team with an international perspective.

During the Period under Review, the Group has achieved breakthroughs for a number of research and development projects. The project of New Technologies in Efficient Synthesized Production of Important Chemicals with CO2 (which is under the national key research and development plan of "clean and efficient use of coal and new energy-saving technologies" 2018 key special plans), in which the Group has taken an important part, was officially approved by the Ministry of Science and Technology of PRC. The Group was responsible for the research topic and focused on the design, production and research of the kiloton-scale pilot plant for preparing glycol by synthesizing ethylene carbonate and hydrogen with cogeneration of methanol, developing a set of technology, using carbon dioxide as raw materials, of preparing glycol by synthesizing ethylene glycol and hydrogen with cogeneration of methanol. This project was geared towards the international cutting edge technologies and popular research topic of "CO2 capture, utilization and storage (CCUS)", involving the conversion and utilization of carbon dioxide. It is the key research and development direction in the global energy and chemical industry, which is in line with the global low-carbon development strategy. The project also clearly demonstrated the strength and expertise of the Group in undertaking national-level scientific research tasks.

During the year, Wison Engineering's proprietary technology of "Oxidative Dehydrogenation of Butene to Butadiene (ODH) Catalyst" was applied to the downstream supporting facilities of methanol-to-olefins (MTO) product optimization project of Nanjing Chengzhi Clean Energy Co., Ltd. Prior to this, the technology was appraised for scientific and technological results by the China Petroleum and Chemical Industry Federation, which determined that the result reached an internationally advanced level. The catalyst was well-recognized by Nanjing Chengzhi, which fully proved that under the current structural adjustment and ever-changing external environment of the energy and chemical industry, the Group's proprietary catalysts still delivered technological advances and economic benefits.

During the year, the pilot plant of the DME-based ethanol technology, developed by the Group, has completed construction and start-up preparation. Marketing initiates will be swiftly rolled out after pilot test and industrial demonstration of process design package contract. It marks a solid step for the Group in coal chemical industry chain expansion and ethylene raw materials diversified development. In view of the fluctuation of international oil prices, the technology of preparing ethylene by using DME and ethanol has been applied to promote the industry chain extension of coal and chemical enterprises into downstream DME products as well as diversify the sources of ethylene raw materials. Capitalizing on the technological advantages of the Group, its coal chemical enterprises will be able to achieve differentiation and effective development by intensifying the downstream extension of the industry chain and industrial upgrading, and by which reducing the dependence of the domestic market on ethylene imports.

During the year, the Group was approved by Shanghai Science and Technology Committee to establish "Shanghai Green Chemical and Energy Conservation Engineering Research Center", leading Wison Engineering to become the only enterprise in energy and chemical sector setting up a private engineering research center focusing on "green chemical process" and "energy conservation". By establishing the research center, Wison Engineering endeavors to achieve technological innovations while practicing "Green Chemical Process", "Low-carbon Footprint", "Energy Conservation" and "High Efficiency" in fields of energy and chemical engineering and carrying forward its development strategy geared towards "improving technological efficiency".

During the Period under Review, the Group was approved by the Ministry of Human Resources and Social Security and the National Post-doctoral Management Committee to establish the first private post-doctoral research center in the domestic energy and chemical industry. The approval of setting up a post-doctoral research center reflected that the engineering technology and innovation capability, technology platform construction and talent training mechanism of Wison Engineering are well recognized by the country and Shanghai city. It will promote the Industry-University-Research cooperation between the Company, research institutes and production units and will also be the driving force in accelerating the efficient conversion of scientific and technological achievements.

Digitalization

During the Period under Review, the Group strengthened R&D and application of digitalization and is committed to building up its technological strength to support the strategic development of the Group. With the development of digitalization, the Group's internal management standard will be upgraded and project execution capability and overall competitiveness will be further strengthened. The Group's 3D platform based on the Cloud computing technology is the first project in the energy and chemical engineering industry. The Cloud remote application of 3D intelligent design software will enable the participants of the project to collaborate efficiently, thus providing customers with quality services, and greatly enhancing the competitiveness of the Group in the domestic and overseas markets. After early stage development, the platform already had the ability to operate all current projects.

Wison Engineering proactively improved its digital technology through strategic cooperation. During the Period under Review, the Group entered into a strategic partnership with Microsoft. With its leading artificial intelligence, digitalization, Cloud platform technology, in combination with the Group's superior project management capabilities, we carried out cooperation in 3 aspects, including digital engineering, digital factory and talents cultivation in digital transformation. In addition, the Group established the "Jiangsu University — Wison Engineering" Big Data Joint Laboratory with Jiangsu University, a renowned university in China. The laboratory has promoted cooperation between the two parties in the analysis of energy and chemical product prices and the dynamic analysis of costs. The digital transformation has driven the business segments of the Group to work in synergy with each other, and the Group has gradually formulated intelligent working modality and operating model, and continuously improved the safety, quality and efficiency of design, procurement, construction and management. The Group will keep up with the latest development and develop intelligent application scenarios in collaboration with global partners, aiming at seizing development opportunities in the process of industry transformation and development.

Modularization

Modularization is one of the future development directions in energy and chemical engineering industry, which is also the core strategy for the Group's key development. The modular production of the Group has taken shape after several years of development. A dedicated international, cross-functional and multi-disciplinary modular design and execution team with extensive experience in overseas projects was established, comprising of 30 talents who are mostly professionals with experience in design, execution and management of leading projects in the industry. During the Period under Review, the team not only completed the design and delivery of several modular projects in overseas markets and China, but also prepared the modular execution and guidelines on planning and design, with an aim to provide more standardized management process guidelines for future projects of the same type and enhance the overall strength of the modular integration solutions, thereby solidifying the foundation for the Company's modular business development. We are also committed to setting a standard and benchmark in the industry.

The module construction base of Wison Offshore & Marine provides Wison Engineering with the capabilities of module feasibility studies, basic design, detailed design and construction for medium- and large-scale land facility. Other internal professional departments will be responsible for the related works of sea and land transport and lifting design. In this way, the Group has integrated capabilities of module design, construction and delivery. Modular prefabrication, assembly and integrated delivery can effectively overcome the constraints of construction site, significantly shortening construction period and increasing work efficiency. During the Period under Review, the Group has completed Zhejiang Petrochemical 1,400kta ethylene cracking furnace module project, Formosa Plastics modularized LDPE piperack project in the United States and simultaneously drove forward EG2 project in the United States. Modular business has become one of the core competitive strengths of Wison Engineering. With the advantages of technical talents and rich project experience, Wison Engineering has been highly recognized by customers in the global energy and chemical industry, setting an industry benchmark.

Awards and New Qualifications

During the Period under Review, the Group was highly praised by customers and the peers in the industry and was awarded and accredited with numerous awards by the government and the industry. The Group's EPC contracted Shanxi Lu'an 1,800kta Oil & Chemical & Electricity Integrated High Sulfur Coal to Liquid Demonstration Project was awarded "2018 Premium Engineering Prize of China Chemical Industry" in the selection of "Quality Engineering throughout Entire Process" in recognition of its world's largest scale of gasification, high-level technological innovation, excellent engineering quality and extremely high difficulty of project execution.

During the year, the Group was awarded "The BEST EPC Contractor for Overseas Projects" by Internationalization Committee of China National Association of Chemical Construction Enterprises, which represents the high recognition for Wison's excellence performance in the global energy and chemical fields. Moreover, the Group was honorably named as the "Most Innovative Enterprise" on 40 years anniversary of China Reform and Opening up by Shanghai Exploration & Design Trade Association; and was also awarded "China's Technology Innovation Demonstration Enterprise of Petroleum and Chemical Industry 2018" by the science and technology division of China Petroleum and Chemical Industry Federation for its technological innovation capabilities and transformation capability of scientific and technological achievements. In addition to promoting the Company's brand image and core competitiveness, the awards and qualifications are also the recognition and driving force for the Group's dedications in cutting-edge technology research and development over years.

Talent Program

The Group introduces new talents based on the market and customer demand to improve internal management and reinforced its diversified culture. The Group has employed a total of 285 new employees in 2018, thereby laying a solid foundation for the rapid development of Wison Engineering.

During the year, the Group's talent strategy focused on external referral and internal deployment to create a product technology center as a hub of talent pool. After considering the direction of product technology development, a total of 17 high-end technical talents were employed from overseas or China. The product technology center, currently employing 4 chief scientists and 31 experts, has closely collaborated with the design center to provide customers with more competitive technology solutions. At the same time, the Group was committed to optimizing and expanding its international and domestic marketing teams, improving the marketing area layout, achieving full coverage of key areas by marketing team, setting up a qualification and certification system for marketing positions, constantly improving the organizational skills of marketing staff by introduction of external talents and talent cultivation.

Regarding internal structure, the Group has established and optimized a number of internal institutions. During the period, the Group has established a project financing center. Leveraging on the experience in cooperating with numerous financial institutions by the professionals and the Group, comprehensive financing services will be provided to the owners while business development capabilities of Wison Engineering will also be enhanced. The Middle East Operation Center has been created to support regional marketing and project execution in the Middle East; a supporting group integrating procurement, construction, marketing and quotation has been established to strengthen the support of marketing quotation and improve the synergy effect of project execution. The addition of start-up services will expand the scope of services of the Group.

Outlook

Looking forward to 2019, the energy and chemical industry is full of both opportunities and challenges. Increased profitability of the global petrochemical and energy and chemical industries drove an increase in capital investment of the industry. Coupled with the influence of complex external environmental factors such as international crude oil price fluctuations, geopolitical tensions, international trade friction, the global energy and chemical industry was expected to face greater uncertainties. On the other hand, China has accelerated the promotion of green sustainable development by introducing upgrade and optimization policies for energy and chemical products, to drive structural optimization and adjustment of the industry. In addition, the promotion of opening up markets for private and foreign enterprises would also bring new impetus to the industry.

In face of uncertain macro and industry factors, the Group will continue to move forward and strive for excellence in market development, technology research and development, industry extension and talent strategy in order to continuously enhance the competitive edges and profitability of Wison Engineering. Targeting changes in the market and customer needs, the Group will continue to elaborate its own advantages in terms of modularity, digitalization, project management and financing capabilities, intensify efforts in the industry chain extension, increase service coverage and open up overseas markets. The Group strives to increase the total new contract value to RMB40,000 million within 2019 and 2020, and at the same time increase its proportion in overseas market to over 60%.

The Group has entered into a number of new contracts in 2019. As of 25 March 2019, the Group recorded unaudited total new contract value of approximately RMB6,848.2 million (net of estimated value added tax) , representing approximately 95.5% of total new contract value for the full year of 2018.

Consolidating the advantages of domestic market and accelerating globalization

Looking ahead, the petrochemical industry in China will usher in new subjects, new raw materials, new processes and new regulations, and demonstrate a new development pattern. With the adjustment of domestic energy policies and economic development, large private chemical enterprises emerged in the domestic market. Together with the market gradually opening to foreign investment, investment and production of foreign enterprises are encouraged, bringing new growth momentum to the industry. In addition, domestic energy policies are increasingly demanding for sustainable development and green environmental protection, and the demand for new chemical raw materials and new processes is increasing, further promoting the optimization and adjustment of the industry structure. By virtue of its excellent project execution capability, management capability and leading technology research and development capabilities, Wison Engineering has established good reputation and competitive edges in China. The Group will fully grasp the new opportunities in the domestic market, continue to deepen the services for its existing customers, and strengthen the development of new energy and chemical industry customer base, and extend service coverage to the field of environmental protection and energy saving and municipal engineering.

On the other hand, the Group will adhere to building on local market and expanding the core strategy to the international market development. With successful delivery of overseas projects in different regions, the Group has gradually accumulated reputation and creditworthiness in overseas market. In the first half of 2018, the establishment of the Middle East Operation Center in Saudi Arabia, reflecting the determination and confidence of the Group in developing the Middle East market, allows the Group to respond quickly to the demands of the local market and the project execution and management capabilities will be further optimized. In addition, modular production is recognized in North America, bringing new market opportunities for the Group. As the Group's overseas sales team and investment and financing team become more well-developed, the consolidated investment and financing EPC model of overseas projects assists owners to establish financing platforms. This would greatly increase the chance of securing new projects.

Relying on cutting-edge technology to build a technical engineering service enterprise

By adhering to the corporate objective of "Better Technology, Better Life" to improve people's livelihood with innovative technology, the Group implemented strategic initiatives of "Promoting development and strengthening business with technologies", closely tracked developments and trends in the global energy and chemical industry and focused on global cutting-edge technology development and research in the areas of basic chemicals, green processes, and low-carbon energy conservation. Through technical cooperation ecosystem, the Group aimed at developing a wide range of cooperation based on the principle of "resources and technological complementation" and the concept of mutual benefits. Leveraging on the opportunity of the development of national strategic emerging industry, the Group increased efforts in developing the technologies of new materials with higher value adding and highly dependent on imports as well as the upstream material bottlenecking technology to form an innovative industrial application platform integrating technology research and development, engineering amplification and investment construction. The Group was committed to developing into the leading engineering service enterprise with advanced technologies.

Dual driving force of digitalization and modularization, setting a new benchmark in the industry

The Group will continue to promote the application of digital and modular production, further develop digital application scenarios by leveraging on digital delivery capabilities, and gradually develop digital strategy, digital management and support, digital marketing, digital services and other capabilities, establish a digital system in which operational models and organizations, processes and methods, and digital technologies and platforms work in synergy. By building up Wison Engineering's digital strength, the efficiency and innovation of the Company has been improved and thus leading the Company to become a digitalization leader of the industry.

With the development of digitalization, the Group has made comprehensive preparation for capital, talents and digital infrastructure to proactively respond to the digital transformation of the industry. By leveraging on technologies such as 3D Cloud platform and big data analysis, the Group will gradually build a win-win and shared ecosystem maintained by R&D, manufacturing, design, construction, operation and maintenance and other enterprises of the industry by means of information and physical integration. The Group will make use of its leading digital capabilities to enhance the competitiveness of the Company and execute transformation and leapfrog development. With the continuous wave of new technologies such as the Internet, digitalization and cloud platforms, Wison Engineering will continue to overcome technical barriers in the field of energy engineering, accumulate experience of complete delivery of digital design, and provide customers with more advanced engineering design services. At the same time, it provides a solid foundation for the Group to establish intelligent factory and digital operation and maintenance.

Modularization is another important strategy for the future development of the Group. Modular projects have demonstrated the advantages of high quality, short construction period, low cost and easy management, and are gradually becoming the trend of project design in the Americas, Australia and Africa. With high-quality modular engineering capabilities and its own modular prefabrication base, Wison Engineering has become one of the most competitive modular EPFC technology and service providers in the world. The Group's integrated module solutions have altered the model of planning, organization and construction of traditional complex plants. The Group is committed to providing our global customers with the most economical and competitive solutions by enhanced modular planning, construction, delivery, differentiation and high value-added services.

During the Period under Review, Wison Engineering has tendered more than 10 modular projects in various countries including the Americas, the Middle East, Africa and Southeast Asia. Many projects are expected to be awarded in 2019. The modular projects have broad market prospects and will help the Group to overtake the road in respect of internationalization strategy, achieve leap-forward development and further enhance its influence in the industry.

Establish a business ecosystem, diversifying development through expansion along the industry chain

Looking forward, facing the challenging economic situation and the complex and ever-changing industry structure, the Group has implemented the strategic measures of "full internationalization", "optimized management" and "market competition differentiation". It also proactively responded to the overall requirements of the national green circular economy, relating to the existing strengths and core capability of the Group. In response, the Group embraced changes and has carried out investment and operation of renewable clean energy and environmental protection industry, an effective extension of our core businesses, and has increased the technical research and development of new functional materials and their value chain bottlenecking materials that were highly dependent on foreign imports. Through precise business design, the Group will make horizontal and vertical multi-dimensional expansion along the value industry chain, and achieve strong alliance with industry leaders to pursue strategic expansion of complete cycle including new business development, construction and operation. By building the Group into an integrated energy service and operation company with outstanding core advantages, diversified business risks, strong technical strength and diversified profit sources, the Group will have healthy and sustainable development.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018
(Expressed in RMB)

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**3,256,478**	4,124,790
Cost of sales		**(2,757,606)**	(3,263,632)
GROSS PROFIT		**498,872**	861,158
Other income and gains	4	**202,614**	188,794
Selling and marketing expenses		**(107,521)**	(68,889)
Administrative expenses		**(377,737)**	(373,203)
Reversal of impairment losses/(impairment losses) on financial and contract assets		**8,648**	(335)
Other expenses		**(118,537)**	(241,019)
Finance costs	5	**(33,790)**	(136,160)
Share of profit or loss of an associate		**190**	(1,222)
PROFIT BEFORE TAX	6	**72,739**	229,124
Income tax	7	**(12,786)**	(63,405)
PROFIT FOR THE YEAR		**59,953**	165,719
Attributable to:			
Owners of the parent		**56,301**	138,306
Non-controlling interests		**3,652**	27,413
		59,953	165,719
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic		**RMB1.38 cents**	RMB3.40 cents
— Diluted		**RMB1.37 cents**	RMB3.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**59,953**	165,719
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**8,813**	(33,553)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**8,813**	(33,553)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**8,813**	(33,553)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**68,766**	132,166
Attributable to:		
Owners of the parent	**65,348**	108,186
Non-controlling interests	**3,418**	23,980
	68,766	132,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in RMB)

	Notes	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**877,691**	917,334
Investment property		**11,747**	12,396
Prepaid land lease payments		**149,032**	152,948
Goodwill		**15,752**	15,752
Intangible assets		**32,101**	4,364
Investment in an associate		**1,468**	1,278
Long-term prepayments		**7,948**	654
Deferred tax assets		**35,375**	11,986
Total non-current assets		**1,131,114**	1,116,712
CURRENT ASSETS			
Inventories		**46,804**	24,515
Gross amounts due from contract customers	*10*	**–**	2,051,469
Trade receivables	*11*	**1,338,735**	1,356,157
Bills receivable		**180,360**	1,202,274
Contract assets		**612,789**	–
Prepayments and other receivables		**395,511**	335,671
Due from fellow subsidiaries		**168,918**	34,277
Pledged bank balances and time deposits	*12*	**943,028**	542,269
Cash and bank balances	*12*	**932,086**	916,153
		4,618,231	6,462,785
Assets of a disposal company classified as held for sale		**–**	33,374
Total current assets		**4,618,231**	6,496,159

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Gross amounts due to contract customers	*10*	**–**	398,697
Trade and bills payables	*13*	**2,550,425**	3,516,007
Other payables and accruals		**1,007,822**	773,624
Interest-bearing bank and other borrowings		**245,934**	313,332
Due to fellow subsidiaries		**37,087**	–
Due to an associate		**630**	630
Dividends payable		**–**	81,984
Tax payable		**146,489**	139,146
		3,988,387	5,223,420
Liabilities directly associated with assets classified as held for sale		**–**	6,556
Total current liabilities		**3,988,387**	5,229,976
NET CURRENT ASSETS		**629,844**	1,266,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,760,958**	2,382,895
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,444**	18,499
Government grants		**4,695**	5,014
Total non-current liabilities		**11,139**	23,513
NET ASSETS		**1,749,819**	2,359,382
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**330,299**	329,968
Share premium		**861,129**	850,993
Other reserves		**558,391**	1,002,063
		1,749,819	2,183,024
Non-controlling interests		**–**	176,358
Total equity		**1,749,819**	2,359,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.1 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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements to IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement		Re-classification	ECL	IFRS 9 measurement	
		Category	Amount			Amount	Category
	Note		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets							
Trade receivables	*(i)*	L&R[1]	1,356,157	–	–	1,356,157	AC[2]
Bills receivables		L&R	1,202,274	–	–	1,202,274	AC
Financial assets included in prepayments and other receivables		L&R	28,926	–	(317)	28,609	AC
Due from fellow subsidiaries		L&R	34,277	–	–	34,277	AC
Pledged bank balances and time deposits		L&R	542,269	–	–	542,269	AC
Cash and bank balance		L&R	916,153	–	–	916,153	AC
			4,080,056	–	(317)	4,079,739	
Other assets							
Contract assets	*(i)*		2,051,469	–	(186,950)	1,864,519	
Deferred tax assets			11,986	–	28,090	40,076	
			2,063,455	–	(158,860)	1,904,595	
Total assets			7,612,871	–	(159,177)	7,453,694	
Financial liabilities							
Trade and bills payables		AC	3,516,007	–	–	3,516,007	AC
Financial liabilities included in other payables and accruals	*(i)*	AC	79,451	–	–	79,451	AC
Interest-bearing bank and other borrowings		AC	313,332	–	–	313,332	AC
Due to an associate		AC	630	–	–	630	AC
Dividends payable		AC	81,984	–	–	81,984	AC
			3,991,404	–	–	3,991,404	
Other liabilities							
Deferred tax liabilities			18,499	–	(7,020)	11,479	
Total liabilities			5,253,489	–	(7,020)	5,246,469	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade receivables, contract assets and financial liabilities included in other payables and accruals under the column "IAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.1(c) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	676,033	186,950	862,983
Financial assets included in prepayments and other receivables	—	317	317
	676,033	187,267	863,300

Impact on retained profits

The impact of transition to IFRS 9 on retained profits is as follows:

	Retained profits
	RMB'000
Retained profits	
Balance as at 31 December 2017 under IAS 39	578,626
Recognition of expected credit losses for contract assets under IFRS 9	(186,950)
Recognition of expected credit losses for prepayments and other receivables under IFRS 9	(317)
Deferred tax in relation to the above	35,110
Add: Impact on non-controlling interests	15,918
Balance as at 1 January 2018 under IFRS 9	442,387

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets		
Gross amounts due from contract customers	*(i)*	(2,051,469)
Contract assets	*(i)*	2,051,469
Liabilities		
Gross amounts due to contract customers	*(ii)*	(398,697)
Other payables and accruals	*(ii)*	398,697

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	**IFRS 15** *RMB'000*	**Previous IFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Gross amounts due from contract customers	*(i)*	—	612,789	(612,789)
Contract assets	*(i)*	612,789	—	612,789
Gross amounts due to contract customers	*(ii)*	—	492,758	(492,758)
Other payables and accruals	*(ii)*	492,758	—	492,758

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as gross amounts due from contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB2,051,469,000 from gross amounts due from contract customers to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in gross amounts due from contract customers of RMB612,789,000 and an increase in contract assets of RMB612,789,000.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and recognised the net amounts of cost incurred plus recognised profits less the sum of progress billings as amounts due to contract customers. Under IFRS 15, the above amounts are classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB303,572,000 and RMB398,697,000 from other payables and gross amounts due to contract customers to contract liabilities, respectively, as at 1 January 2018, in relation to the consideration received from customers in advance and the net amounts of cost incurred plus recognised profits less the sum of progress billings as at 1 January 2018, respectively.

As at 31 December 2018, under IFRS 15, RMB246,376,000 and RMB492,758,000 were reclassified from other payables and gross amounts due to contract customers to contract liabilities in relation to the consideration received from customers in advance and the net amounts of cost incurred plus recognised profits less the sum of progress billings, respectively.

(iii) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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

Segment assets exclude property, plant and equipment, investment property, prepaid land lease payments, goodwill, intangible assets, an investment in an associate, deferred tax assets, long-term prepayments, amounts due from fellow subsidiaries, other receivables, assets of a disposal company classified as held for sale, 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, dividends payable, tax payable, liabilities directly associated with the assets classified as held for sale, 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.

Operating segments

Year ended 31 December 2018	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**3,072,348**	**184,130**	**3,256,478**
Intersegment sales	**77,760**	**9,323**	**87,083**
Total revenue	**3,150,108**	**193,453**	**3,343,561**
Reconciliation:			
Elimination of intersegment sales			**(87,083)**
Revenue			**3,256,478**
Segment results	**432,491**	**66,381**	**498,872**
Reconciliation:			
Imputed interest income from an EPC contract	**11,529**	**–**	**11,529**
Interest on discounted letters of credit	**(11,529)**	**–**	**(11,529)**
Unallocated income			**191,085**
Unallocated expenses			**(595,147)**
Unallocated finance costs			**(22,261)**
Share of profit or loss of an associate			**190**
Profit before tax			**72,739**
Segment assets	**2,494,643**	**81,864**	**2,576,507**
Reconciliation:			
Elimination of intersegment receivables			**(53,486)**
Corporate and other unallocated assets			**3,226,324**
Total assets			**5,749,345**
Segment liabilities	**3,201,821**	**141,287**	**3,343,108**
Reconciliation:			
Elimination of intersegment payables			**(53,549)**
Corporate and other unallocated liabilities			**709,967**
Total liabilities			**3,999,526**

Year ended 31 December 2018	**EPC**	**Engineering, consulting and technical services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Other segment information			
Share of profit or loss of an associate			
Unallocated			**190**
Impairment losses reversed in the statement of profit or loss			**8,648**
Depreciation and amortisation			
Unallocated			**55,678**
Investment in an associate			
Unallocated			**1,468**
Capital expenditure*			
Unallocated			**39,223**

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

Year ended 31 December 2017	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	4,009,407	115,383	4,124,790
Intersegment sales	65,150	–	65,150
Total revenue	4,074,557	115,383	4,189,940
Reconciliation:			
Elimination of intersegment sales			(65,150)
Revenue			4,124,790

Year ended 31 December 2017	EPC	Engineering, consulting and technical services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment results	879,513	(18,355)	861,158
Reconciliation:			
Imputed interest income from an EPC contract	109,156	–	109,156
Interest on discounted letters of credit	(109,156)	–	(109,156)
Unallocated income			79,638
Unallocated expenses			(683,446)
Unallocated finance costs			(27,004)
Share of profit or loss of an associate			(1,222)
Profit before tax			229,124
Segment assets	4,945,487	6,716	4,952,203
Reconciliation:			
Elimination of intersegment receivables			(14,547)
Corporate and other unallocated assets			2,675,215
Total assets			7,612,871
Segment liabilities	4,168,427	69,687	4,238,114
Reconciliation:			
Elimination of intersegment payables			(16,347)
Corporate and other unallocated liabilities			1,031,722
Total liabilities			5,253,489
Other segment information			
Share of profit or loss of an associate			
Unallocated			(1,222)
Impairment losses reversed in the statement of profit or loss	–	335	335
Depreciation and amortisation			
Unallocated			55,745
Investment in an associate			
Unallocated			1,278
Capital expenditure*			
Unallocated			16,294

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

Geographical information

Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**2,174,674**	2,079,567
United States of America	**618,976**	11,243
Venezuela	**213,660**	765,953
Saudi Arabia	**180,305**	1,082,429
United Arab Emirates	**28,436**	185,598
Other countries	**40,427**	–
	3,256,478	4,124,790

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

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

Information about major customers

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

	2018	2017
Customer A (EPC segment)	**38.2%**	N/A
Customer B (EPC segment)	**13.5%**	N/A
Customer C (EPC segment)	**N/A**	18.6%
Customer D (EPC segment)	**N/A**	17.7%
Customer E (EPC segment)	**N/A**	10.2%
Customer F (EPC segment)	**N/A**	10.2%

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Construction contracts	**3,072,348**	4,009,407
Design, feasibility research, consulting and technical services	**184,130**	115,383
Total revenue from contracts with customers	**3,256,478**	4,124,790

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Type of goods or services			
Construction services	**3,072,348**	**–**	**3,072,348**
Design, feasibility research, consulting and technical services	**–**	**184,130**	**184,130**
	3,072,348	**184,130**	**3,256,478**
Geographical markets			
Mainland China	**2,016,658**	**158,016**	**2,174,674**
United States of America	**610,344**	**8,632**	**618,976**
Venezuela	**213,660**	**–**	**213,660**
Saudi Arabia	**180,305**	**–**	**180,305**
United Arab Emirates	**28,436**	**–**	**28,436**
Others	**22,945**	**17,482**	**40,427**
	3,072,348	**184,130**	**3,256,478**
Timing of revenue recognition			
Services transferred over time	**3,072,348**	**184,130**	**3,256,478**

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

For the year ended 31 December 2018

Segments	EPC *RMB'000*	Engineering, consulting and technical services *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	**3,072,348**	**184,130**	**3,256,478**
Intersegment sales	**77,760**	**9,323**	**87,083**
Intersegment adjustments and eliminations	**(77,760)**	**(9,323)**	**(87,083)**
Total revenue from contracts with customers	**3,072,348**	**184,130**	**3,256,478**

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:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Construction services	**381,042**
Design, feasibility research, consulting and technical services	**26,516**
	407,558

(ii) ***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 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 transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	3,347,080
More than one year	9,851,975
	13,199,055

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within five years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants*	**26,111**	5,178
Interest income	**19,693**	110,520
Rental income	**111,994**	69,966
Others	**7,571**	3,130
	165,369	188,794
Gains		
Gain on disposal of a subsidiary	**25,567**	–
Foreign exchange gains	**11,678**	–
	37,245	–
	202,614	188,794

* 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**15,693**	21,256
Interest on discounted bills and letters of credit	**18,097**	114,904
	33,790	136,160

6. PROFIT BEFORE TAX

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

	Note	**2018** **RMB'000**	2017 RMB'000
Cost of services provided*		**2,757,606**	3,263,632
Depreciation of property, plant and equipment and investment properties		**47,450**	48,386
Research and development costs		**101,998**	126,719
Amortisation of prepaid land lease payments		**4,037**	4,158
Amortisation of intangible assets		**4,191**	3,201
Government grants		**(26,111)**	(5,178)
Impairment of financial and contract assets,net			
Impairment of trade receivables, net	*11*	**74,490**	–
Impairment of contract assets, net		**(82,986)**	–
Impairment of other receivables, net		**(152)**	–
Gain on disposal of a subsidiary		**(25,567)**	–
Reversal of provision for inventories		**–**	(335)
Loss on disposal of items of property, plant and equipment		**–**	306
Loss on disposal of items of intangible assets		**137**	–
Minimum lease payments under operating leases		**23,426**	17,903
Auditor's remuneration		**6,473**	4,642
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**477,750**	459,954
Retirement benefit scheme contributions		**54,421**	43,701
Equity-settled share option expenses		**60,837**	26,203
Equity-settled share-based payment expenses		**–**	84,936
		593,008	614,794
Foreign exchange differences, net		**(11,678)**	46,044

* Amounts of RMB216,468,000 and RMB291,000,000 of employee benefit expenses were included in cost of services provided during the years ended 31 December 2018 and 2017.

7. INCOME TAX

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

	2018	2017
	RMB'000	*RMB'000*
Current		
— Mainland China	–	58,109
— Elsewhere	**4,432**	9,293
Deferred	**8,354**	(3,997)
Total tax charge for the year	**12,786**	63,405

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, Turkey, Russia, South Africa, Abu Dhabi, United Arab Emirates and Singapore as the Group did not have any assessable income arising in Hong Kong, Indonesia, Turkey, Russia, South Africa, Abu Dhabi, United Arab Emirates and Singapore during the year ended 31 December 2018 (2017: Nil).

惠生工程(中國)有限公司 (Wison Engineering Limited, "Wison Engineering") was qualified as a "High and New Technology Enterprise" and was entitled to a preferential corporate income tax ("CIT") rate of 15% from 2014 to 2016. In accordance with the requirements of the tax regulations in the PRC, Wison Engineering reapplied for the "High and New Technology Enterprise" qualification and obtained the certification on 23 October 2017 which will be effective for another three years from 1 January 2017. Accordingly, Wison Engineering was subject to CIT at a rate of 15% for the years ended 31 December 2018 and 2017.

Wison Petrochemicals (NA), 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.

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

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**72,739**	229,124
Tax at the statutory tax rates	**11,299**	32,506
Lower tax rate enacted by local authority	**1,579**	19,672
Tax losses not recognised	**10,415**	2,182
Tax losses utilised from previous periods	**(2,742)**	–
Effect of withholding taxes on distributable profits of the subsidiaries in Mainland China	**3,653**	12,089
Additional tax deduction	**(11,291)**	(6,160)
Income not subject to tax	**(1,922)**	–
Expenses not deductible for tax	**1,795**	3,116
Tax charge at the Group's effective rate	**12,786**	63,405

The share of tax attributable to an associate amounting to RMB14,000 (2017: RMB55,000) is included in "Share of profit or loss of an associate" in the consolidated statement of profit or loss.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2018, there was no significant unrecognised deferred tax liability (2017: 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.

8. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Interim — HK0.07 cent (2017: Nil) per ordinary share	**2,494**	–
One-off — HK6.66 cents (2017: Nil) per ordinary share	**237,287**	–
	239,781	–

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,069,112,331 (2017: 4,064,920,116) in issue during the year.

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

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

	2018 *RMB'000*	2017 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**56,301**	138,306
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,069,112,331**	4,064,920,116
Effect of dilution-weighted average number of ordinary shares	**36,810,922**	23,505,780
	4,105,923,253	4,088,425,896

10. CONSTRUCTION CONTRACTS

	2018	2017
	RMB'000	*RMB'000*
Gross amounts due from contract customers	**–**	2,727,502
Impairment	**–**	(676,033)
	–	2,051,469
Gross amounts due to contract customers	**–**	(398,697)
	–	1,652,772

	2018	2017
	RMB'000	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	**–**	22,874,267
Less: Progress billings	**–**	(21,221,495)
	–	1,652,772

As at 31 December 2017, included in the amounts due from contract customers was an amount of RMB863,169,000 which related to the Group's certain EPC projects, and has been identified as overdue in accordance with contract terms. The Group has recorded an impairment provision of RMB676,033,000 as of 31 December 2017.

11. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,454,798**	1,397,730
Impairment	**(116,063)**	(41,573)
	1,338,735	1,356,157

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 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.

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:

	2018	2017
	RMB'000	*RMB'000*
Trade receivables:		
Within 1 month	**227,440**	924,364
2 to 12 months	**440,396**	424,201
Over 1 year	**670,899**	7,592
	1,338,735	1,356,157

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**41,573**	41,573
Effect of adoption of IFRS 9	**–**	–
At beginning of year (restated)	**41,573**	–
Impairment loss, net *(note 6)*	**74,490**	–
At end of year	**116,063**	41,573

Impairment under IFRS 9 for the year ended 31 December 2018

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 geographical region and customer 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 2018

	Ageing				
	Less than 1 year	**1 to 2 year**	**2 to 3 year**	**Over 3 years**	**Total**
Expected credit loss rate	0.12%	11.03%	47.46%	100.00%	7.98%
Gross carrying amount *(RMB'000)*	668,612	754,007	59	32,120	1,454,798
Expected credit losses *(RMB'000)*	776	83,139	28	32,120	116,063

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB41,573,000 with a carrying amount before provision of RMB43,573,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	926,364
Less than 12 months past due	424,201
Over 1 year past due	5,592
	1,356,157

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

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	2018 ***RMB'000***	2017 *RMB'000*
Related company		
泰興天馬化工有限公司	**73,575**	64,058

12 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 ***RMB'000***	2017 *RMB'000*
Cash and bank balances	**1,375,186**	1,339,976
Time deposits with original maturity of less than three months	**127,799**	–
Time deposits with original maturity of more than three months	**372,129**	118,446
	1,875,114	1,458,422
Less: Pledged bank balances and time deposits	**(943,028)**	(542,269)
Cash and cash equivalents	**932,086**	916,153

At 31 December 2018, bank balances and time deposits of RMB700,449,000 (2017: RMB296,209,000) were placed as guarantee deposits for performance of certain construction contracts and for the tendering process.

At 31 December 2018, bank balances of RMB2,169,000 (2017: RMB7,037,000) were pledged to a bank as security to obtain a letter of credit facility for the purchase of imported equipment.

At 31 December 2018, bank balances and time deposits of RMB240,410,000 (2017: RMB180,188,000) were pledged as security for bill facilities granted by the banks.

At 31 December 2018, bank balances of nil (2017: RMB58,835,000) were pledged to a bank as security for bank loans.

At 31 December 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB956,845,000 (2017: RMB368,735,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

13. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**900,923**	2,035,822
1 to 2 years	**1,272,588**	969,286
2 to 3 years	**228,922**	192,315
Over 3 years	**147,992**	318,584
	2,550,425	3,516,007

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

	2018	2017
	RMB'000	*RMB'000*
江蘇新華化工機械有限公司 (Jiangsu Xinhua Chemical Engineering Co., Ltd. ("Jiangsu Xinhua"), formerly as Chinese joint venture partner of Wison Engineering)	**–**	1,743

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

14. SHARE CAPITAL AND RESERVES

Shares

	2018	2017
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	**4,070,608,200**	4,066,566,200

	2018	2017
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares of HK$0.1 each	**1,622,757**	1,622,757
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**330,299**	329,968

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

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	4,064,690,400	329,809	846,250	1,176,059
Share options exercised	1,875,800	159	4,743	4,902
At 31 December 2017	**4,066,566,200**	**329,968**	**850,993**	**1,180,961**
Share options exercised	**4,042,000**	**331**	**10,136**	**10,467**
At 31 December 2018	**4,070,608,200**	**330,299**	**861,129**	**1,191,428**

The subscription rights attaching to 4,042,000 share options were exercised at the subscription price of HK$0.837 per share, resulting in the issue of 4,042,000 shares for a total cash consideration, before expenses, of HK$3,383,000 (equivalent to RMB2,772,000) and a share premium of HK$2,979,000 (equivalent to RMB2,441,000). An amount of RMB7,695,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2018.

FINAL DIVIDEND

The board of directors of the Company recommends a final dividend of RMB0.0043 (equivalent to HK$0.0050) per ordinary share for the year ended 31 December 2018. Together with the interim dividend of RMB0.0006 (equivalent to HK$0.0007) per ordinary share, the total dividend for the 2018 financial year amounted to RMB0.0049 (equivalent to HK$0.0057) per ordinary share.

Subject to the passing of the relevant resolution at the annual general meeting, the final dividend will be paid in Hong Kong dollars based on the exchange rate of HK$1.00 to RMB0.85481, being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 20 March 2019. The final dividend will be paid on or around 15 July 2019 to shareholders whose names appear on the Register of Members of the Company on 19 June 2019.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Subject to the resolution approving the final dividend being passed at the annual general meeting, the Register of Member of the Company will be closed form 17 June 2019 to 19 June 2019 (both days inclusive), for the purpose of determining shareholders' entitlements to the final dividend. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 14 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has complied with the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2018.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

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

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

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

Hong Kong, 25 March 2019

As at the date of this announcement, the executive Directors of the Company are Ms. Rong Wei, Mr. Zhou Hongliang, Mr. Li Zhiyong and Mr. Dong Hua; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.