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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)**

### **ANNOUNCEMENT INSIDE INFORMATION UPDATES ON RECENT DEVELOPMENTS OF THE COMPANY RESUMPTION OF TRADING**

This announcement is made by the board (the “**Board**”) of directors (“**Directors**”) of Wison Engineering Services Co. Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a), Rule 13.51B(2) and Rule 13.51(2)(r) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the series of announcements of the Company made from 2 September 2013 to, most recently, 6 October 2014 concerning recent developments in relation to the Group (the “**Announcements**”). Unless otherwise defined herein, terms used in this announcement have the same meanings as those defined in the Announcements.

#### **BACKGROUND**

Trading in the shares of the Company was suspended on Monday, 2 September 2013 (the “**Trading Suspension**”) after the Company had been informed that Mr. Hua Bangsong (“**Mr. Hua**”), the controlling shareholder and Chairman of the Company, was assisting relevant authorities in the PRC with their investigations into matters not identified to the Company (the “**PRC Investigation**”).

It was subsequently disclosed by the Company on 7 March 2014 that Mr. Hua had been arrested by the PRC public security authority over alleged bribery activity and that the Board had not been informed of any detail of the allegation.

## **UPDATE ON THE DISCUSSIONS WITH THE GROUP'S BANKS**

On 18 September 2013, the Company announced that the PRC authorities had taken the step of freezing certain bank accounts of the Group as part of their investigations. It was further disclosed in the announcement of the Company dated 7 March 2014 that some of the frozen bank accounts had been released. Since that time, additional bank accounts have been recently released following the Company's communication with the regulatory authorities.

On 30 December 2013, the Company announced that the Group's non-payment default in respect of certain loans from China Development Bank ("CDB") triggered cross-default provisions in other loan agreements entered into between the Group and other banks. Since that time, as disclosed in the Announcements, the Company has been in discussions with the Group's banks with a view to agreeing a combination of staged repayments and loan extensions with its major banks to stabilise its short-term liquidity position.

Since that time, and in the Board's view with the benefit of the stability afforded by the Trading Suspension, the Group has successfully been able to extend or re-finance total bank loans of approximately RMB394 million, and reduce total bank indebtedness by approximately RMB676 million. In addition, the Group is in the process of finalising a new banking facility in the sum of approximately RMB170 million from a PRC bank, which the Company anticipates, all things being equal, being able to draw upon in early 2015.

As at the date of this announcement, CDB has not taken any enforcement action against the Company following the default on the CDB Loans and the Company remains in ongoing communications with CDB to seek a mutually-acceptable solution. To the best of the knowledge of the Company as of 11 November 2014, the Company has not received any notification that the Group's outstanding loans subject to cross-default provisions have been called in and the Group's bank borrowings in the aggregate principal amount of RMB583 million remains outstanding. The Board confirms that all repayments under the arrangement with the Group's major banks have been kept current and that the Company will do its utmost to keep to agreed repayment schedules with the relevant banks.

In relation to two distrained office buildings of the Group, those properties remain subject to third parties' security interest.

In addition to the Group's deleveraging plans with its banks, the Group has continued successfully to negotiate the deferral of certain payments for equipment and construction costs with certain suppliers and contractors, with a view to easing the Group's short-term cash flow.

The Board believes that it has, for over a year now, shown to the Company's banks, customers and suppliers its ability successfully to run the Company and stabilise the business operations of the Group despite uncertainty caused by the PRC Investigation.

## **BUSINESS UPDATE**

The Group continues to expand its customer base with new contracts. Since the Trading Suspension, the Group has entered into approximately 84 new contracts, including but not limited to, a procurement and construction contract with PDVSA Petróleo, S.A. ("PDVSA") for the site preparation for the La Cruz Refinery Deep Conversion Project, an engineering,

procurement, and construction contract, also with PDVSA, to undertake engineering, procurement, construction and start-up assistance of the atmospheric distillation unit, naphtha hydrotreater unit, continuous catalyst reforming unit, utility units and offsite units and high priority areas of the Batalla de Santa Ines Refinery Project, Phase I in Venezuela, a procurement and construction contract with Shandong Better Clean Energy Co., Ltd to build a 300,000 tons/year methanol-to-olefins (MTO) plant in Dongying, Shandong Province, an engineering, procurement and construction contract with BASF-YPC Company Ltd to provide EPC service to revamp its H109 furnace convection section, an engineering, procurement, and construction contract with Zibo Qi Xiang Tengda Chemical Co., Ltd. to provide EPC service for its furnace section, an engineering contract with Shandong Heze Yu Huang Chemical Co., Ltd. to provide engineering design and technology licensing service for its 70,000 tons/year butadiene oxidative dehydrogenation of butene reconstruction project, as well as various technology licensing, process design package, basic design and detailed design contracts for four MTO plant units.

According to the preliminary assessment of the Board, the Board believes that these new contracts will generate revenues of not less than RMB5,304 million for the Group in 2015 and 2016.

#### **AMENDMENTS TO THE TERMS OF THE JV AGREEMENT RELATING TO AN EPC CONTRACT**

Reference is made to the prospectus of the Company dated 13 December 2012 (the “**Prospectus**”) where the Company disclosed that Wison Engineering Ltd. (惠生工程(中國)有限公司) (“**Wison Engineering**”), an indirect non wholly-owned subsidiary of the Company, had entered into an engineering, procurement and construction contract (“**EPC Contract**”) with PDVSA during the six months ended 30 June 2012 to undertake engineering, procurement, construction and start-up assistance of the environment units, auxiliary units and renovation of the atmospheric distillation units of the Deep Conversion Project, Puerto La Cruz Refinery (the “**Project**”). It was further disclosed in the Prospectus that 20% of the backlog of the Group as of 30 June 2012 in the sum of RMB 5,836.1 million was attributable to the EPC Contract.

Reference is also made to the 2012 annual report of the Company, where the Company disclosed that Wison Engineering entered into a joint venture agreement (the “**JV Agreement**”) with Hyundai Engineering & Construction Co., Ltd. and Hyundai Engineering Co., Ltd. in 2012 to form an investment consortium, which would in turn enter into construction agreements with PDVSA to undertake the EPC Contract (at an aggregate contract value of approximately US\$2,994 million).

Due to certain adjustments to the scope of the EPC Contract and after arms’ length negotiation among Hyundai Engineering & Construction Co., Ltd., Hyundai Engineering Co., Ltd. and Wison Engineering, on 7 November 2014, the parties have entered into various amendment agreements (the “**Amendment Agreements**”) which varied the JV Agreement such that the participation share of Wison Engineering under the EPC Contract has been adjusted from 31% to 8%.

As a result, the contract value of the EPC Contract attributable to Wison Engineering in the Group's backlog has been decreased from RMB 5,863.1 million to RMB1,469.2 million (equivalent to approximately US\$ 240 million) with effect from 7 November 2014. Based on the current state of the Project, the Project is expected to be completed in the first half of 2017.

As disclosed in the Prospectus, "backlog" represents the Group's estimate of the contract value of work that remains to be completed as of a certain date from signed and legally-binding contracts, net of estimated VAT. Thus, backlog might not be indicative of the Group's future operating results and difficulties in contract performance could lead to inaccuracies with respect to the ultimate income from uncompleted contracts.

Based on the preliminary assessment of the information available to the Board, the decrease in the total contract value of the EPC Contract attributable to Group will have some impact on the expected performance of the Group.

As disclosed in the announcement of the Company dated 15 October 2013, Wison Engineering and PDVSA Petróleo also entered into a procurement and construction contract in relation to the site preparation (the "**Ancillary Contract**") for the Project in September 2013. The Board confirms that the Amendment Agreements are not related to the Ancillary Contract and that they will not have any material impact on the completion of the Ancillary Contract.

#### **UPDATE ON ZHOUSHAN PC AGREEMENT**

Reference is made to the 2013 annual report of the Company dated 28 March 2014 where the Company disclosed that, on 16 May 2012, Wison Engineering and Zhoushan Wison Offshore & Marine Co., Ltd. (舟山惠生海洋工程有限公司) ("**Zhoushan Wison**"), a connected person of the Group, entered into a procurement and construction lead contractor agreement (as supplemented by a supplemental agreement dated 15 August 2012) (the "**Zhoushan PC Agreement**") for the construction of the marine engineering base project (海洋工程建造基地工程) in Zhoushan, Zhejiang Province, PRC, pursuant to which Zhoushan Wison engaged Wison Engineering to procure all equipment and materials and oversee quality assurance and completion of the construction of the Zhoushan marine engineering base. The amount of consideration is to be determined based on, among other things, the volume of work, the market price of equipment and materials and other factors as agreed between the two parties and may be adjusted due to an increase or decrease in the volume of work resulting from the change in the design of the marine engineering base, fluctuation in market price of equipment and materials that significantly deviates from the initial quotation, change in the applicable legal and regulatory framework governing this type of project and other factors as agreed between the two parties. It was further disclosed that, based on the then prevailing circumstances, Wison Engineering and Zhoushan Wison confirmed that the consideration payable under the Zhoushan PC Agreement was estimated to be RMB1,882.08 million.

As disclosed in the 2014 interim report of the Company, the financing plan previously set for Zhoushan PC Agreement was deferred, resulting in the progress in respect of the contract falling behind schedule. Accordingly, on 11 November 2014, Wison Engineering and Zhoushan Wison entered into an interim settlement confirmation, whereby the parties

confirmed the total contract value for the work already carried out by Wison Engineering and agreed to a deferral of the uncompleted work until Zhoushan Wison obtains necessary financing.

According to the interim settlement confirmation, the total contract value for the work already carried out by Wison Engineering under Zhoushan PC Agreement amounted to RMB1,390 million. Based on the preliminary assessment of the Board, the Board believes that deferral of the Zhoushan PC Agreement for an uncertain period pending settlement by Zhoushan Wison of its own financing arrangements will cause some uncertainty to the Company as to its own costs and margins in the context of being able to deliver on the balance of the project for a consideration equal to the balance of the unfulfilled agreed contract value (being approximately RMB491.92 million). The Company will seek to renegotiate the total contract consideration, as appropriate, depending upon the length of the deferral, and as necessary re-comply with the Listing Rules at the relevant time. In the meantime, delays to this project, and the absence of further consideration sums in respect of it may have a material effect on the results of the Company going forward.

The Company will publish further announcement(s) as and when appropriate to inform the Shareholders and potential investors in the event that there are any material updates in relation to Zhoushan PC Agreement.

#### **UPDATE ON POTENTIAL STRATEGIC INVESTMENT**

Reference is made to the announcement of the Company dated 28 March 2014. The Company wishes to update its Shareholders and potential investors that the Company is in discussions with more than one PRC state-owned enterprise expressing an interest in potentially acquiring old shares and, or subscribing new shares in the Company. At this stage all such discussions are preliminary in nature, with the prospect of any investment and the form of that investment being uncertain.

**Shareholders and potential investors need to be aware that no binding agreement has been entered into in relation to this matter. Accordingly, there is no certainty that any transaction involving a material prospective change to the shareholding structure of the Company or any similar transaction will materialise or ultimately be consummated. Shareholders and potential investors are urged to exercise caution when dealing in the Shares.**

#### **UPDATE ON THE PRC INVESTIGATION**

On 10 November 2014, the Board was informed that Wison Engineering has received legal documents in connection with the PRC Investigation from a court in the People's Republic of China, which state that two charges have been instigated against Wison Engineering and Mr. Hua, the legal representative of Wison Engineering, in relation to certain alleged criminal offences.

Furthermore, Wison Group Holding Limited, one of the Controlling Shareholders of the Group, also understands from the relevant investigation authority that, following an investigation into the shareholding of the Company, there is no evidence to show that Mr.



Hua is connected to Mr. Zhou Bin or that Mr. Hua holds any shares as nominee or on behalf of any other person, and the said legal documents also contain no allegations in relation thereto. The Company has now resumed its contact with Mr. Hua through his lawyer.

As disclosed in the announcements of the Company dated 13 August 2013 and 7 March 2014, the Company would like to reiterate that, based on Mr. Hua's own disclosure of interests filings, all the shares indirectly held by Mr. Hua in the Company are beneficially owned by him.

In relation to the PRC Investigation:

- (1) A bribery charge has been filed against Wison Engineering and Mr. Hua. It was alleged that they were involved in the offering of unlawful advantages, which mainly included Mr. Hua's real property valued at approximately RMB7.62 million being made available to a senior manager of a customer of Wison Engineering in 2009. The documents acknowledge that the relevant property was, in fact, returned to Mr. Hua before the commencement of the PRC Investigations.
- (2) A charge in relation to alleged conspiracy to commit a tender-offer fraud has been laid against Wison Engineering and Mr. Hua. The allegation concerns irregularities during the tender process for a project in 2004. It was alleged that this particular project generated revenues of approximately RMB69 million for Wison Engineering.

Wison Engineering is in the process of consulting with its PRC legal advisers to assist it in responding to these two charges and protecting the legitimate rights and interests of the Company. As advised by the PRC legal advisers, there are many issues to be clarified in the case. However, in the worst case, Wison Engineering understands that it could face a fine if convicted of either or both charges. Accordingly, the Board believes that these charges ought not have a material impact on the business operations and the financial position of the Group.

Based on information currently available to the Board, the Company wishes to clarify that the above charges have not affected and will not affect the normal business and operations of the Group. The Board will continue to closely monitor the progress of the PRC Investigation and re-assess its impact on the business and operations of the Group from time to time.

In the meantime, the Company will review and further improve its corporate governance practices to safeguard this risk and protect the interest of the Shareholders as a whole.

This announcement is made pursuant to Rule 13.51B(2) and Rule 13.51(2)(r) of the Listing Rules. The Board will make further announcement(s) to keep its shareholders and potential investors informed of any material development in connection with the PRC Investigation as and when appropriate in accordance with the requirements under the Listing Rules.

## **UPDATE ON THE TRADING SUSPENSION AND RESUMPTION OF TRADING**

As disclosed in the announcement of the Company dated 6 October 2014, the Company exercised its right to have the Review Decision reviewed by the Listing Appeals Committee of the Stock Exchange (the "**Appeals Committee**").

After a meeting held by the Appeals Committee on 31 October 2014, the Company received a letter from the Stock Exchange stating that the Appeals Committee had decided to uphold the Review Decision to direct the trading resumption of the Company's shares pursuant to Listing Rule 6.07.

An application has been made by the Company to the Stock Exchange for resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 am on 13 November 2014.

This announcement is made by the order of the Board of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

By Order of the Board  
**Wison Engineering Services Co. Ltd.**  
**LIU HAIJUN**  
*Executive Director*

Hong Kong, 12 November 2014

*As at the date of this announcement, the executive Directors of the Company are Mr. Hua Bangsong, Mr. Liu Haijun, Mr. Zhou Hongliang and Mr. Cui Ying and the independent non-executive Directors are Mr. Liu Ji and Mr. Wu Jianmin.*