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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)

CONTINUING CONNECTED TRANSACTION

**ENGINEERING CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT WITH
WISON MARINE**

ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Board announces that, on August 3, 2018, the Company and Wison Marine (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Engineering Construction Services Framework Agreement, pursuant to which relevant members of Wison Marine Group may, following the principal terms of the Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the Engineering Construction Services Framework Agreement, subject to the condition that approval from the Independent Shareholders is obtained at the EGM in respect of the Engineering Construction Services Framework Agreement and the proposed annual caps thereunder for the years ending December 31, 2018, 2019 and 2020. The Engineering Construction Services Framework Agreement will expire on December 31, 2020 and the transactions contemplated thereunder will be subject to the proposed annual caps of RMB750,000,000, RMB930,000,000 and RMB930,000,000 in respect of the three years ending December 31, 2018, 2019 and 2020, respectively.

Reference is made to the announcement of the Company dated May 11, 2018, in which announcement the Board announced the Pipe and Structural Steel Fabrication Work Contract between Wison Petrochemicals, an indirect wholly-owned subsidiary of the Company, on the one hand, and Wison Offshore & Marine and Wison Nantong, each an indirect wholly-owned subsidiary of Wison Holding, on the other; and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract between Wison Petrochemicals, an indirect wholly-owned subsidiary of the Company, and Wison Offshore & Marine, an indirect wholly-owned subsidiary of Wison Holding (together, the “**May 2018 Contracts**”).

LISTING RULES IMPLICATIONS

Wison Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.88% of the total issued share capital of the Company as at the date of this announcement. Hence, Wison Holding is a connected person of the Company. As Wison Marine is an indirect wholly-owned subsidiary of Wison Holding, Wison Marine is also a connected person of the Company. Accordingly, the transactions contemplated under the Engineering Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the May 2018 Contracts are also entered into between members of Wison Marine Group and the Group and the subject matter of these agreements are also the provision of engineering construction services to the Group, the transactions contemplated under these agreements should be aggregated with those under the Engineering Construction Services Framework Agreement. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Engineering Construction Services Framework Agreement is above 5%, the transactions contemplated under the Engineering Construction Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements set out in the Listing Rules.

The EGM will be convened by the Company at which an ordinary resolution will be proposed to the Independent Shareholders to approve the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps. Wison Engineering Investment Limited, being a wholly-owned subsidiary of Wison Holding and directly interested in approximately 75.88% of the total issued share capital of the Company as at the date of this announcement, shall abstain from voting on the shareholders’ resolution approving the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps at the EGM.

GENERAL

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been established to advise the Independent Shareholders as to (i) whether the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps are fair and reasonable, (ii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement and the proposed annual caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders. No member of the Independent Board Committee has any material interest in the Engineering Construction Services Framework Agreement.

The Independent Financial Adviser has been appointed as approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps are fair and reasonable, (ii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement and the proposed annual caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders.

Despatch of the Circular

A circular containing, among other things, (i) further information on the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps, (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps, (iii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps, and (iv) a notice to convene the EGM, is expected to be despatched by the Company to the shareholders on or before August 24, 2018.

If the Independent Shareholders' approval for the Engineering Construction Services Framework Agreement and the proposed annual caps is not obtained at the EGM, the transactions contemplated under the Engineering Construction Services Framework Agreement will not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.

ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Board announces that, on August 3, 2018, the Company and Wison Marine (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Engineering Construction Services Framework Agreement, pursuant to which relevant members of Wison Marine Group may, following the principal terms of the Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the Engineering Construction Services Framework Agreement, subject to the condition that approval from the Independent Shareholders is obtained at the EGM in respect of the Engineering Construction Services Framework Agreement and the proposed annual caps thereunder for the years ending December 31, 2018, 2019 and 2020. The Engineering Construction Services Framework Agreement will expire on December 31, 2020 and the transactions contemplated thereunder will be subject to the proposed annual caps of RMB750,000,000, RMB930,000,000 and RMB930,000,000 in respect of the three years ending December 31, 2018, 2019 and 2020, respectively.

Reference is made to the announcement of the Company dated May 11, 2018, in which announcement the Board announced the Pipe and Structural Steel Fabrication Work Contract between Wison Petrochemicals, an indirect wholly-owned subsidiary of the Company, on the one hand, and Wison Offshore & Marine and Wison Nantong, each an indirect wholly-owned subsidiary of Wison Holding, on the other; and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract between Wison Petrochemicals, an indirect wholly-owned subsidiary of the Company, and Wison Offshore & Marine, an indirect wholly-owned subsidiary of Wison Holding (together, the “**May 2018 Contracts**”). The principal terms of the Engineering Construction Services Framework Agreement are summarized as follows:

Date

August 3, 2018

Parties

- (1) the Company; and
- (2) Wison Marine

Term

The Engineering Construction Services Framework Agreement is for a term commencing from the date on which approval by the Independent Shareholders is obtained in respect of the Engineering Construction Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, until December 31, 2020.

Subject Matter

Pursuant to the Engineering Construction Services Framework Agreement, Wison Marine Group shall provide modularized pre-fabrication and engineering construction services. The professional pre-fabrication engineering and construction services to be provided by Wison Marine Group include professional pre-fabrication construction work such as modularized plant design, supply of materials, manufacturing, shop assembly, inspection and testing, painting and packaging; as well as the provision of labor and technical support in connection with such services. For each particular project, relevant members of each of the Group and Wison Marine Group shall enter into separate agreements to set out the detailed work scope and specific terms and conditions of engineering construction services to be provided by member(s) of the Wison Marine Group.

Pricing Policy

The pricing and terms of each particular project contemplated under the Engineering Construction Services Framework Agreement shall be determined in the ordinary and usual course of business on normal commercial terms and on an arm's length basis. The Group selects contractors by way of tender, and accordingly determines the contract sum for each separate agreement in the tender process.

For engineering companies, pricing by way of tender is a commonly adopted market-based pricing method. The Group selects contractors by way of tender and determines the contract sum by reference to the relevant tender price of the selected contractor. When conducting a tender, the Group will set out in advance, on a case-by-case basis and amongst other things, the actual engineering service work scope, the checklist for the volume of work and technical requirements, and require contractors to submit a bid in accordance with such requirements.

When implementing the tender process, in accordance with its internal policies for a tender, the Group issues invitations to bid to not less than three contractors (including member(s) of the Wison Marine Group and independent third parties in the market) from its list of qualified contractors, the list of which is regularly reviewed and updated by the Group to ensure the quality of contractors. When evaluating the bids submitted by contractors, the Group focuses on a number of factors, including (i) the tender price and (ii) the qualifications, related experience and technical expertise of potential contractors. The contractor which scores the highest in the evaluation results will be selected.

After a contractor (including a member of Wison Marine Group), is selected through the above procedures, the Group will enter into a separate agreement with the contractor in accordance with the terms of the submitted bid.

PROPOSED ANNUAL CAPS

The Board proposes that the below annual caps be set for the contract sums contemplated under the Engineering Construction Services Framework Agreement in respect of the years ending December 31, 2018, 2019 and 2020:

	For the year ending December 31,		
	2018	2019	2020
	Annual cap	Annual cap	Annual cap
		(RMB)	
Contract sum	750,000,000*	930,000,000	930,000,000

Note:

* Excludes the total contract sum of US\$27,850,000 under the May 2018 Contracts

The annual cap for the year ending December 31, 2018 has been determined based on the number of projects the Group is bidding for, the Group's estimation of the size of such projects and the estimate of the modularized construction and pre-fabrication engineering services that need to be outsourced. Therefore, the amount of RMB750,000,000 represents the estimated aggregated contract sum of engineering construction services to be sourced from Wison Marine Group (assuming a member of Wison Marine Group is selected as the contractor) for projects which the Group is bidding for and which involve modularized construction and pre-fabrication engineering services, excluding the total contract sum of US\$27,850,000 under the May 2018 Contracts, which contracts have been disclosed in the announcement of the Company on May 11, 2018 and which have been entered into between members of Wison Marine Group and the Group and with respect to the provision of engineering construction services.

The Group is further exploring the overseas markets as part of its dedicated efforts in its internationalization strategy and is confident in its ability to obtain new projects and bring in new orders in 2019 and 2020. Accordingly, the Group expects that business operations in the years 2019 and 2020 will at least commensurate with that in the year 2018 and therefore the amount of RMB930,000,000 which represents the estimated aggregated contract sum of engineering construction services to be sourced from Wison Marine Group (assuming a member of Wison Marine Group is selected as the contractor) for the entire year, has been set as the annual cap for each of the years ending December 31, 2019 and 2020.

INFORMATION ON THE PARTIES AND REASONS AND BENEFITS FOR ENTERING INTO THE ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or “EPC”, services. The Group provides a broad range of integrated services spanning the project life cycle from technical appraisal, early project planning, feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sale technical support. As the construction services to be provided during the course of the business operations of the Group have to be implemented directly by relevant operators, there is a need for the Group to engage specialized contractors with such operators to undertake the construction work of projects.

Wison Marine is an indirect wholly-owned subsidiary of Wison Holding. Wison Marine and its associates are marine engineering contractors and equipment manufacturers specializing in servicing marine oil and natural gas exploration projects. Wison Marine has established construction bases in Nantong and Zhoushan in the PRC and is qualified to undertake marine, oil and gas equipment construction services which would satisfy stringent international safety and quality standards. Wison Marine Group is capable of providing construction services, especially modularized construction services, that would complement the Company’s rapidly-growing domestic and overseas construction projects and it is familiar with the business of the Group and is able to meet the Group’s requirements on project deliverables and quality. In view of the expertise of Wison Marine and its subsidiaries in the provision of the services contemplated under the Engineering Construction Services Framework Agreement and the familiarity with the business of the Group, the Company is of the view that the entering into of the Engineering Construction Services Framework Agreement is complementary and beneficial to the Group’s business.

As Ms. Rong Wei is a director and vice president of Wison Holding, Ms. Rong Wei has abstained from voting on the Board resolution approving the Engineering Construction Services Framework Agreement and the proposed annual caps.

The Directors (other than the independent non-executive Directors who will be advised by the Independent Financial Adviser and Ms. Rong Wei who has abstained from voting) are of the view that the Engineering Construction Services Framework Agreement was entered into in the ordinary and usual course of business of the Group after arm’s length negotiation between the Company and Wison Marine and reflects normal commercial terms, and that the terms and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Wisou Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.88% of the total issued share capital of the Company as at the date of this announcement. Hence, Wisou Holding is a connected person of the Company. As Wisou Marine is an indirect wholly-owned subsidiary of Wisou Holding, Wisou Marine is also a connected person of the Company. Accordingly, the transactions contemplated under the Engineering Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the May 2018 Contracts are also entered into between subsidiaries of Wisou Holding and the Group and the subject matter of these agreements are also the provision of engineering construction services to the Group, the transactions contemplated under these agreements should be aggregated with those under the Engineering Construction Services Framework Agreement. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Engineering Construction Services Framework Agreement is above 5%, the transactions contemplated under the Engineering Construction Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in the Listing Rules.

The EGM will be convened by the Company at which an ordinary resolution will be proposed to the Independent Shareholders to approve the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. Wisou Engineering Investment Limited, being a wholly-owned subsidiary of Wisou Holding and directly interested in approximately 75.88% of the total issued share capital of the Company as at the date of this announcement, shall abstain from voting on the shareholders' resolution approving the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps at the EGM.

GENERAL

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been established to advise the Independent Shareholders as to (i) whether the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps are fair and reasonable, (ii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement and the proposed annual caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders. No member of the Independent Board Committee has any material interest in the Engineering Construction Services Framework Agreement.

The Independent Financial Adviser has been appointed as approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps are fair and reasonable, (ii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Engineering Construction Services Framework Agreement and the proposed annual caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders.

Despatch of the Circular

A circular containing, among other things, (i) further information on the terms of the Engineering Construction Services Framework Agreement and the proposed annual caps, (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps, (iii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps, and (iv) a notice to convene the EGM, is expected to be despatched by the Company to the shareholders on or before August 24, 2018.

If the Independent Shareholders' approval for the Engineering Construction Services Framework Agreement and the proposed annual caps is not obtained at the EGM, the transactions contemplated under the Engineering Construction Services Framework Agreement will not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“Company”	Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), an exempted company with limited liability incorporated in the Cayman Islands whose issued shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to seek the approval of the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps

“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors
“Independent Financial Adviser”	Yunfeng Financial Markets Limited 雲鋒金融市場有限公司, the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps. Yunfeng Financial Markets Limited 雲鋒金融市場有限公司 is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Shareholders”	all shareholders of the Company other than those with a material interest in the Engineering Construction Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. For the avoidance of doubt, Independent Shareholders shall exclude Wison Engineering Investment Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“May 2018 Contracts”	the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract
“Module, Stick-built Steel Structure and Piping Spool Fabrication Contract”	the subcontract agreement entered into between Wison Petrochemicals and Wison Offshore & Marine on May 11, 2018
“Pipe and Structural Steel Fabrication Work Contract”	the subcontract agreement entered into between Wison Petrochemicals on the one hand and Wison Offshore & Marine and Wison Nantong on the other, on May 11, 2018
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Wisou Holding”	Wisou Group Holding Limited (惠生控股(集團)有限公司), a company incorporated in the British Virgin Islands with limited liability, and a controlling shareholder of the Company
“Wisou Offshore & Marine”	Wisou Offshore & Marine (Hong Kong) Limited (惠生海洋工程(香港)有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Wisou Holding
“Wisou Petrochemicals”	Wisou Petrochemicals (NA), LLC, a company established in Texas, the United States with limited liability, and an indirect wholly-owned subsidiary of the Company
“Wisou Marine”	Wisou Offshore & Marine Limited (惠生海洋工程有限公司), a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of Wisou Holding
“Wisou Marine Group”	Wisou Marine and its subsidiaries and associates
“Wisou Nantong”	Wisou (Nantong) Heavy Industry Co., Ltd. (惠生(南通)重工有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of Wisou Holding
“%”	per cent.

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

Hong Kong, August 3, 2018

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 are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.