

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transaction (as defined below) prepared for the purpose of incorporation in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F., China Insurance Group Building,
141 Des Voeux Road Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

9 June 2023

*To: The Independent Board Committee and the Independent Shareholders of
Wison Engineering Services Co. Ltd.*

**CONNECTED TRANSACTIONS
MARINE XII OFFSHORE FLING PROJECT
EPCIC STAGE TOPSIDE ENGINEERING DESIGN CONTRACT WITH
SHANGHAI WISON MARINE**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the EPCIC Stage Topside Engineering Design Contract and the transactions contemplated thereunder (the “**Proposed Transaction**”). Details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the shareholders dated 9 June 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Company’s announcement dated 18 May 2023. On 18 May 2023, Wison Engineering (an indirect wholly-owned subsidiary of the Company) and Shanghai Wison Marine (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the EPCIC Stage Topside Engineering Design Contract, pursuant to which Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design for EPCIC stage of the Project.

As at the Latest Practicable Date, Wison Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.82% of the total issued share capital of the Company. Hence, Wison Holding is a connected person of the Company. As Shanghai Wison Marine is an indirect wholly-owned subsidiary of Wison Holding, Shanghai Wison Marine is also a connected person of the Company. Accordingly, the transactions contemplated under the EPCIC Stage Topside Engineering Design Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is also made to the announcement of the Company dated 16 November 2022, where the Company announced that Wison Engineering and Shanghai Wison Marine entered into the Topside Engineering Design Contract, pursuant to which Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design of the Marine XII Congo LNG Project. The total contract price payable by Shanghai Wison Marine to Wison Engineering under the Topside Engineering Design Contract is expected to be no more than RMB45,000,000.

The Board considered that as the EPCIC Stage Topside Engineering Design Contract and the Topside Engineering Design Contract are both entered into by Wison Engineering with Shanghai Wison Marine and are of similar nature, the transactions contemplated under the EPCIC Stage Topside Engineering Design Contract should be aggregated with the transactions contemplated under the Topside Engineering Design Contract for the purpose of calculating the applicable percentage ratios set out under Rule 14.07 of the Listing Rules. The aggregate amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract and the Topside Engineering Design Contract is expected not to exceed RMB195,000,000.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregate amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract and the Topside Engineering Design Contract is expected to be above 5%, the transactions contemplated under the EPCIC Stage Topside Engineering Design Contract are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board consists of six Directors, namely Mr. Zhou Hongliang (Chief Executive Officer) and Mr. Zheng Shifeng as executive Directors, Mr. Liu Hongjun (Chairman) as non-executive Director and Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua as independent non-executive Directors.

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been formed to advise the Independent Shareholders as to (i) whether the terms of the EPCIC Stage Topside Engineering Design Contract are fair and reasonable; (ii) whether the transactions contemplated under the EPCIC Stage Topside Engineering Design Contract are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the transactions contemplated under the EPCIC Stage Topside Engineering Design Contract 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.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Proposed Transaction for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Wison Engineering, Shanghai Wison Marine and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Proposed Transaction.

In the previous two years, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company for any other transactions.

Apart from the normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and

their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Group, Wison Holding and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

V. BACKGROUND INFORMATION OF THE PROPOSED TRANSACTION

In formulating our opinion on the Proposed Transaction, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company. The principal activities of the Group are the provision of chemical engineering, procurement and construction management, or EPC services. The Group provides a broad range of integrated services spanning the project lifecycle from 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. Wison Engineering is one of the principal operating subsidiaries of the Company.

Set out below is a summary of the Group's financial information as extracted from the Company's latest published (i) annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”); and (ii) annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”):

Summary of the Group's revenue breakdown by segment

	For the year ended 31 December		
	2022	2021	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	4,658,780	6,279,549	5,296,064
— EPC	4,463,620	6,035,818	5,115,965
— Engineering, consulting and technical services	195,160	243,731	180,099

As disclosed in the 2022 Annual Report, the Group recorded revenue of approximately RMB4,658.8 million and approximately RMB6,279.5 million for the years ended 31 December 2022 and 2021, respectively, representing a decrease of approximately RMB1,620.7 million or 25.8%. The decrease in revenue was mainly attributable to (i) the limited revenue contribution since new projects were awarded to the Group near the end of 2022 for the EPC segment; and (ii) a lower contract amount compared with previous year for the engineering, consulting and technical services

segment. As set out above, EPC accounted for approximately 95.8% and approximately 96.1% of the Group's total revenue for the years ended 31 December 2022 and 2021, respectively.

As disclosed in the 2021 Annual Report, the Group recorded revenue of approximately RMB6,279.5 million and approximately RMB5,296.1 million for the years ended 31 December 2021 and 2020, respectively, representing an increase of approximately RMB983.4 million or 18.6%. The increase in revenue was mainly attributable to (i) the large EPC projects awarded in 2019 and 2020, have entered into principal construction phases and increased the revenue contribution for the year ended 31 December 2021 for the EPC segment; and (ii) higher revenue contribution from the engineering and consulting projects for the engineering, consulting and technical services segment.

2. Background information on Shanghai Wison Marine

As set out in the Letter from the Board, Shanghai Wison Marine is an indirect wholly-owned subsidiary of Wison Holding established in the PRC and is a marine engineering contractor and equipment manufacturer specialising in servicing marine oil and natural gas exploration projects.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the EPCIC Stage Topside Engineering Design Contract

As set out in the Letter from the Board, 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. Wison Engineering is a principal operating subsidiary of the Company.

Shanghai Wison Marine is a marine engineering contractor and equipment manufacturer specialising in servicing marine oil and natural gas exploration projects.

In view of the expertise of Wison Engineering in the provision of the services contemplated under the EPCIC Stage Topside Engineering Design Contract, and that the contract price thereunder is negotiated after arm's length discussions and reflects normal commercial terms, the Company considers it desirable to enter into the EPCIC Stage Topside Engineering Design Contract in its ordinary course of business.

The total contract price payable by Shanghai Wison Marine to Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is currently expected to be no more than RMB120,000,000. Furthermore, the Company will be entitled to certain incentive payments, which is expected to be no more than RMB1,500,000. The Company

expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract will not result in the final total amount receivable exceeding RMB150,000,000.

Having considered that (i) the strategy as set out in the 2022 Annual Report, namely, the Company will continue to engage in the field of energy and chemical engineering, taking root in existing markets and actively exploring new markets; at the same time, it will accelerate the deployment of new energy and new materials to be pioneer in seizing market opportunities in such field; (ii) the engineering, consulting and technical service segment is one of the two business segments of the Group, being the smaller of the two business segments in terms of revenue, but one that recorded a better segment results for the year ended 31 December 2022. Thus, the provision of the services pursuant to the EPCIC Stage Topside Engineering Design Contract is a furtherance and continuance of the Group's principal businesses, namely the provision of engineering, consulting and technical services; and (iii) based on information available to and considered by the Management at the material time, including, among others, the estimated costs to perform the relevant services, the Management is of the view that the terms of the EPCIC Stage Topside Engineering Design Contract are on normal commercial terms, we concur with the Management that the entering into of the EPCIC Stage Topside Engineering Design Contract and the transactions contemplated thereunder adheres to the business strategy of the Group and would further broaden the income base of the Group, and is considered to be in the interests of the Company and its Shareholders as a whole.

2. Principal terms of the EPCIC Stage Topside Engineering Design Contract

The following information has been extracted from the Letter from the Board and summarised below:

Date	:	18 May 2023
Parties	:	(1) Shanghai Wison Marine; and (2) Wison Engineering
Subject matter	:	Pursuant to the EPCIC Stage Topside Engineering Design Contract, Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design for EPCIC stage of the Project.

It is expected that the final handover date of the entire work under the EPCIC Stage Topside Engineering Design Contract by Wison Engineering to Shanghai Wison Marine shall be no later than 30 June 2026, which date may be postponed in accordance with mutual agreement between the parties if there are any changes to the scope of work under the EPCIC Stage Topside Engineering Design Contract.

Consideration : The EPCIC Stage Topside Engineering Design Contract
and payment shall become effective upon the approval by the Independent Shareholders being obtained.

The total contract price payable by Shanghai Wison Marine to Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is currently expected to be no more than RMB120,000,000, which represents the costs expected to be incurred by Wison Engineering (including but not limited to salaries and overtime pay of its personnel, domestic travel expenses, statutory benefits, insurance expenses, transportation and accommodation costs, management fee, profits and various taxes). The parties may negotiate for an adjustment to the fees if there are any material changes to the scope and/or specification of the engineering design.

The total contract price shall be payable in accordance with the following schedule:

- a) 15% of the contract price (i.e. RMB18,000,000) shall be paid upon the EPCIC Stage Topside Engineering Design Contract becoming effective;
- b) an additional 10% of the contract price (i.e. RMB12,000,000) shall be paid upon examination of 30% completed Project 3D Model;
- c) an additional 10% of the contract price (i.e. RMB12,000,000) shall be paid upon examination of 60% completed Project 3D Model;
- d) an additional 35% of the contract price (i.e. RMB42,000,000) shall be paid upon examination of 90% completed Project 3D Model;
- e) an additional 20% of the contract price (i.e. RMB24,000,000) shall be paid upon completion of the detailed design of the project;
- f) an additional 5% of the contract price (i.e. RMB6,000,000) shall be paid upon completion of the as-build drawings; and
- g) the remaining 5% of the contract price (i.e. RMB6,000,000) shall be paid upon completion of the performance test and final handover.

Apart from the above payments which comprised the total contract price, pursuant to the EPCIC Stage Topside Engineering Design Contract, Wison Engineering will also be entitled to certain incentive payments from Shanghai Wison Marine for efficient delivery of works. It is expected that the total amount of such incentive payments will be no more than RMB1,500,000. Therefore, the total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is expected to be RMB121,500,000.

Shanghai Wison Marine shall settle the payment within 35 days after receiving the invoice issued by Wison Engineering.

The final total amount payable to Wison Engineering by Shanghai Wison Marine under the EPCIC Stage Topside Engineering Design Contract depends on (a) the actual costs to be incurred by Wison Engineering, which might varied if there are any material changes to the scope and/or specification of the engineering design, and (b) the total incentive payments to which Wison Engineering is entitled. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract will not result in the final total amount receivable exceeding RMB150,000,000.

Further details of the principal terms of the EPCIC Stage Topside Engineering Design Contract are set out in the Letter from the Board.

3. Analysis on the principal terms of the EPCIC Stage Topside Engineering Design Contract

Analysis and work performed on cost estimations

The contract price under the EPCIC Stage Topside Engineering Design Contract was determined by the Group, after arm's length negotiation, with reference to the costs expected to be incurred by Wison Engineering and a reasonable profit margin estimated by the Management.

Pursuant to the EPCIC Stage Topside Engineering Design Contract, Wison Engineering was engaged by Shanghai Wison Marine to carry out the topside engineering design for EPCIC stage of the Project. We understand from the Management that the costs expected to be incurred in connection with the provision

of topside engineering design services are primarily time and relevant costs, such as subsidies, travel expenses, transportation expenses, attributable to the personnel assigned to undertake the design work for the Project and subcontracting costs.

In this connection, we have obtained a schedule from the Management (the “**Project Costs Schedule**”), which sets out the expected number of personnel and respective man hours of the different personnel at various grades expected to be involved in the Project team, as well as an estimate on the Project associated domestic travel expenses, statutory benefits, insurance expenses, transportation and accommodation costs, management fee and estimated taxes.

Based on the Project Costs Schedule, we noted that over 75% of the estimated costs were the staff costs of the aforesaid personnel. We further understand from the Management that the composition of the personnel expected to be involved in the Project team was determined by (i) request of a particular number and positions by the project owner; (ii) the personnel with the required skill sets to complete the relevant work based on the Group’s experience from other projects; and (iii) preliminary meetings and discussions between Shanghai Wison Marine and Wison Engineering.

Given the above, we have requested and obtained supporting documents for the monthly salary for six personnel from the Project Costs Schedule with various functionalities and grades/positions with a view to ensure the Project staff cost estimates as set out in the Project Costs Schedule were determined with a reasonable basis. Furthermore, we have also requested and obtained supporting documents for the estimation of subcontracting costs from the Management, namely, the Project Costs Schedule and a breakdown of the estimated subcontracting costs based on (i) estimated number of subcontracting personnel required; (ii) estimated number of man hours and days; and (iii) the average hourly costs with reference to the subcontracting framework agreements entered into by the Company and the subcontractors. In this connection, we have obtained and reviewed the subcontracting framework agreements with a view to evaluate the reasonableness of the basis of determining the subcontracting costs.

Analysis and work performed on estimated profit margin of the Project

As set out in the Letter from the Board, the Group has taken into account, among others, the Estimated Price, nature, complexity and requirements of the project, the rates for the relevant services from previous projects and the relevant payments receivable by the Group in other third party projects when estimating the contract price.

In assessing the fairness and reasonableness of the total contract price, in addition to our work performed on the Project cost estimations as set out under the preceding sub-section headed “Analysis and work performed on cost estimations” in this letter above, we have also evaluated the estimated profit margin to be derived by the Group from the Project.

Based on the information as set out in the Project Costs Schedule, we have re-calculated the estimated profit margin of the Project provided by the Management. We understand from the Management that a number of factors have been taken into consideration when determining the Project profit margin (the “**Project Profit Margin**”), including, among others, the scope and the complexity of the design services under the EPCIC Stage Topside Engineering Design Contract, the estimated length of the Project, the associated personnel and related costs and other third party projects, where applicable.

In this connection, we have compared the estimated Project Profit Margin of the Project against other similar projects for engineering, consulting and technical services undertaken by the Group for independent third parties selected based on the following criteria, namely (i) the nature and work scope of the contracts falls within the Group’s engineering, consulting and technical services segment; and (ii) the required personnel of the projects are similar to that of the personnel expected to be assigned to the Project team; and (iii) the subject engineering design contract of the project was entered into by the Group recently, i.e. in or after 2021 (together the “**Criteria**”). However, given the specialised nature of the EPCIC Stage Topside Engineering Design Contract, the Group was only able to identify three comparable projects (the “**Comparable Projects**”) based on the Criteria that is considered to be of a comparable nature.

For our analysis, we have obtained and reviewed the services contracts for the Comparable Projects, which the Group entered into with independent third parties as well as the corresponding project budget documents. These project budget documents set out the Group’s internal budget control based on cross-departmental input regarding the estimated contract price, costs and expenses. For each of the Comparable Projects, a gross profit and gross profit margin is calculated.

Based on information obtained, the profit margin of the Comparable Projects ranged from not less than 35% to not more than 60%, while the gross profit margin of the Group’s engineering, consulting and technical services segment ranged from approximately 24.6% (for the year ended 31 December 2022) to approximately 36.5% (for the year ended 31 December 2021) for the years ended 31 December 2021 and 2022. The Project Profit Margin is within the range of the aforesaid profit margin of the Comparable Projects and higher than the aforementioned range of gross profit margin of the Group’s engineering, consulting and technical services segment.

Although it is noted that the work scope, complexities, deliverables and/or project scale may vary from contract to contract, thus no contracts are entirely identical. Nonetheless, given the nature of the engineering, consulting and technical services under such segment and the Criteria applied to select the Comparable Projects, we considered that our analysis on the profit margin comparison above is one of the useful references to assess the fairness and reasonableness of the EPCIC Stage Topside Engineering Design Contract.

Based on our analysis and work performed, we are of the view that the Project Profit Margin is reasonable.

Analysis and work performed on payment terms

Pursuant to the EPCIC Stage Topside Engineering Design Contract, the payment of the contract is on a progress payment basis over seven instalments subject to the attainment of the stated milestones, several milestones of which are related to the completion percentage of the Project 3D Model, the attainment of which are determined based on relevant guidelines, checklists and required documents.

In connection with work performed to assess the settlement using the progress payment method, we have reviewed the payment terms of the three Comparable Projects, and noted that under the EPCIC Stage Topside Engineering Design Contract and the contracts of the Comparable Projects, the settlement terms of each of these contracts also adapted the progress payment method.

Based on our analysis and work performed, we are of the view that the payment terms being on a progress payment basis is reasonable.

Analysis on incentive payment terms

As set out in the Letter from the Board, under the EPCIC Stage Topside Engineering Design Contract, incentive payments may be receivable by Wison Engineering as a result of efficient delivery of works. The total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is estimated based on the total contract price and the estimated incentive payments. The total contract price payable by Shanghai Wison Marine to Wison Engineering under the EPCIC Stage Topside Engineering Design Contract is currently expected to be no more than RMB120,000,000. It is expected that the total amount of such incentive payments will be no more than RMB1,500,000. Therefore, the total amount receivable by Wison Engineering under the EPCIC Stage Topside Engineering Design Contract could reach RMB121,500,000.

We understand from the Management that when calculating the Project Profit Margin, no incentive payments were included. As the Project Profit Margin is considered to be reasonable based on our analysis set out under sub-section headed “Analysis and work performed on estimated profit margin of the Project” above and that the Management considered that the attainment of the incentive payment(s) would not material adversely affect the Project Profit Margin and, barring unforeseen circumstances, should improve the Project Profit Margin. We consider the inclusion of the incentive payment terms to be reasonable.

Internal approval procedures

With a view to safeguard the interests of the Company and its Shareholders as a whole, the Group has also adopted the following procedures for conducting the Proposed Transaction. The relevant business units and departments of the Group have and will continue to monitor and review the prices/rates and terms in respect of the Proposed Transaction in order to ensure that the Proposed Transaction is conducted on normal commercial terms. As discussed with the Management, each of the responsible departments and personnel including administrative department, design department and the project manager provided their input to a preliminary budget on the relevant costs with breakdown, required number of personnel and preliminary composition of the required personnel. Relevant documents have been presented in an internal meeting for approval and documented by the meeting minutes. The execution of the subject contract was after obtaining the relevant approval. In this connection, we have obtained and reviewed the minutes of the internal meeting for the EPCIC Stage Topside Engineering Design Contract and the Comparable Projects. We noted that the relevant approval procedures for the EPCIC Stage Topside Engineering Design Contract are in line with the three Comparable Projects.

Summary of our analysis

Having considered that (i) the work scope and services under the EPCIC Stage Topside Engineering Design Contract falls within the principal business activities of the Group; (ii) the terms of the EPCIC Stage Topside Engineering Design Contract, including the Project Profit Margin and the payment terms, are in line with terms of the Comparable Projects entered into by the Company with independent third parties; and (iii) we have discussed and confirmed with the Management that the approval process of the EPCIC Stage Topside Engineering Design Contract is in line with the approval process for other design contracts entered into by the Company with independent third parties, we are of the view that entering into of the EPCIC Stage Topside Engineering Design Contract is on normal and commercial terms, in the ordinary and usual course of business of the Group, and that the terms of the EPCIC Stage Topside Engineering Design Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VII. RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the provision of the services pursuant to the EPCIC Stage Topside Engineering Design Contract is a furtherance and continuance of the Group's businesses and therefore in the ordinary and usual course of business of the Group;

- (ii) the entering into of the EPCIC Stage Topside Engineering Design Contract and the transactions contemplated thereunder will enable the Group to broaden its revenue base and is in the interests of the Company and the Shareholders as a whole; and
- (iii) based on our analysis and work performed as set out under section headed “3. Analysis on the principal terms of the EPCIC Stage Topside Engineering Design Contract”, the terms of the EPCIC Stage Topside Engineering Design Contract are fair and reasonable so far as the Independent Shareholders are concerned.

We are of the opinion that the EPCIC Stage Topside Engineering Design Contract and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve the EPCIC Stage Topside Engineering Design Contract and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.