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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wison Engineering Services Co. Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

CONNECTED TRANSACTION

**ENGINEERING, PROCUREMENT AND CONSTRUCTION
MANAGEMENT CONTRACT WITH WISON TAIZHOU**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 29 of this circular.

A notice convening the EGM of the Company to be held at Room 1, United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on April 18, 2019 at 3:00 p.m. is set out on pages 34 to 35 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.wison-engineering.com).

To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from April 15, 2019 to April 18, 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the 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 April 12, 2019.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

April 2, 2019

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DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at Room 1, United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on April 18, 2019 at 3:00 p.m. to seek the approval of the Independent Shareholders in respect of the Wison Taizhou EPC Contract and the transaction contemplated thereunder
“EPC”	an acronym for engineering (E), procurement (P) and construction (C), a business model widely adopted in the international energy industry
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, 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 Wison Taizhou EPC Contract and the transaction contemplated thereunder. Red Sun Capital Limited is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of Laws of Hong Kong)
“Independent Shareholders”	all Shareholders other than those with a material interest in the Wison Taizhou EPC Contract and the transaction contemplated thereunder. For the avoidance of doubt, Independent Shareholders shall exclude Wison Engineering Investment Limited

DEFINITIONS

“Latest Practicable Date”	March 29, 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this circular only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	holder(s) of the ordinary shares in the capital of the Company with a nominal value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wison Engineering”	Wison Engineering Ltd. (惠生工程(中國)有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Wison Holding”	Wison 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
“Wison Taizhou”	Wison (Taizhou) New Material Technology Co., Ltd. (惠生(泰州)新材料科技有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of Wison Holding
“Wison Taizhou EPC Contract”	the EPC general contractor contract dated March 12, 2019 and entered into between Wison Taizhou and Wison Engineering for the high performance polyamide project of Wison Taizhou
“%”	per cent.

The English names for PRC entities are included for identification purposes only. In the event of inconsistencies, the Chinese names shall prevail.



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)

Executive Directors:

Ms. Rong Wei (*Chief Executive Officer*)
Mr. Zhou Hongliang
Mr. Li Zhiyong (*Chief Financial Officer*)
Mr. Dong Hua

Independent Non-executive Directors:

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

Registered Office:

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in

Hong Kong:
Room 5408
54th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

April 2, 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

**ENGINEERING, PROCUREMENT AND CONSTRUCTION
MANAGEMENT CONTRACT WITH WISON TAIZHOU**

I. INTRODUCTION

Reference is made to the announcement of the Company dated March 12, 2019 in relation to the Wison Taizhou EPC Contract and the transaction contemplated thereunder.

LETTER FROM THE BOARD

On March 12, 2019, Wison Engineering and Wison Taizhou (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Wison Taizhou EPC Contract, pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its high performance polyamide project in Taixing Economic Development Zone, Jiangsu Province, the PRC (the “**Project**”).

The Wison Taizhou EPC Contract and the transaction contemplated thereunder are subject to the Independent Shareholders’ approval at the EGM. The purpose of this circular is to provide you with, among other things, (i) further information on the terms of the Wison Taizhou EPC Contract, (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Wison Taizhou EPC Contract and the transaction contemplated thereunder, (iii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Wison Taizhou EPC Contract and the transaction contemplated thereunder, and (iv) a notice to convene the EGM.

II. PRINCIPAL TERMS OF THE WISON TAIZHOU EPC CONTRACT

The principal terms of the Wison Taizhou EPC Contract are summarized below.

Date

March 12, 2019

Parties

- (1) Wison Taizhou; and
- (2) Wison Engineering

Subject Matter

Pursuant to the Wison Taizhou EPC Contract, Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for the Project. As the EPC general contractor for the Project, Wison Engineering shall:

- (i) provide engineering design, equipment and materials procurement and construction services for the Project;
- (ii) assist Wison Taizhou in the commissioning and start-up after the intermediate handover of the works and in the performance test of the works;
- (iii) be responsible for compiling completion records; and
- (iv) be responsible for fixing defects and undertakes quality warranty responsibility.

It is expected that the intermediate handover of the entire works under the Wison Taizhou EPC Contract by Wison Engineering to Wison Taizhou shall be no later than June 30, 2020, which date may be postponed with mutual agreement between the parties

LETTER FROM THE BOARD

if there are any changes to the scope of work under the Wison Taizhou EPC Contract. After the intermediate handover of the works by Wison Engineering, Wison Taizhou shall perform commissioning, start-up and performance test of the works. Upon expiry of one year after the satisfactory intermediate handover of the works, Wison Taizhou shall issue a final handover certificate to Wison Engineering, which represents the final handover of the works to Wison Taizhou.

Consideration and Payment

The Wison Taizhou EPC Contract shall become effective upon the approval by the Independent Shareholders being obtained. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract is currently expected to be RMB447,880,000 which comprises the reimbursement of the engineering costs to be incurred by Wison Engineering and the design fees, project management fees and remuneration payable by Wison Taizhou to Wison Engineering. Besides, pursuant to the Wison Taizhou EPC Contract, Wison Engineering will be entitled to certain incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety. It is expected that the total amount of such incentive payments will be no more than RMB6,400,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is expected to be RMB454,280,000.

The breakdown of the total contract price and the payment schedule of each part of the contract price are set out below:

- (i) Engineering costs which are estimated to be RMB377,420,000 (the “**Target Engineering Costs**”) — which comprise the costs and expenses to be incurred by Wison Engineering in the construction of the Project and in the procurement of equipment and materials as well as such other costs and expenses which may be incurred by Wison Engineering during the performance of the contract, such as government fees, insurance premium and costs for issuing performance bonds.

Wison Engineering shall obtain the approval from Wison Taizhou before entering into any subcontract for the construction of the Project and the procurement of equipment and materials as well as upon settlement with the subcontractors. Wison Engineering shall also submit to Wison Taizhou for approval any other costs and expenses which may be incurred by Wison Engineering during the performance of the contract. The settlement amounts with the subcontractors and the other costs and expenses as approved by Wison Taizhou shall represent the actual engineering costs. As Wison Taizhou shall reimburse all the actual engineering costs incurred by Wison Engineering, the final engineering costs to be paid by Wison Taizhou to Wison Engineering may be more than or less than the Target Engineering Costs.

Within 10 business days upon the Wison Taizhou EPC Contract becoming effective, Wison Taizhou shall pay to Wison Engineering 10% of the estimated total contract price (i.e. RMB44,788,000) as prepayment of the engineering costs. Afterwards, Wison Engineering shall, on a monthly basis, submit to

LETTER FROM THE BOARD

Wisou Taizhou a construction progress report which shall set out the actual amount of engineering costs payable by Wisou Taizhou. 20% of such engineering costs shall be offset against the prepayment amount until the prepayment amount is fully offset. Wisou Taizhou shall settle the engineering costs on a monthly basis.

- (ii) Design fees of RMB12,720,000 — which represent the fees payable to Wisou Engineering for providing design services, preparing engineering design drawings and completion drawings and assigning representatives to provide design services and technical support on-site. The parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification of the engineering design.

The design fees shall be payable in accordance with the following schedule:

- (a) 20% of the design fees (i.e. RMB2,544,000) shall be paid within 14 days upon the Wisou Taizhou EPC Contract becoming effective;
 - (b) an additional 20% of the design fees (i.e. RMB2,544,000) shall be paid upon completion of examination of 60% of the project model;
 - (c) an additional 50% of the design fees (i.e. RMB6,360,000) shall be payable upon delivery of all construction drawings;
 - (d) an additional 7% of the design fees (i.e. RMB890,400) shall be payable when the Project comes into operation and the completion drawings are completed; and
 - (e) the remaining 3% of the design fees (i.e. RMB381,600) shall be payable within 14 days after the expiry of 12 months after the intermediate handover of the works.
- (iii) Project management fees of RMB20,000,000 — which represent the costs and expenses to be incurred by Wisou Engineering in managing the performance of the Wisou Taizhou EPC Contract. Such costs and expenses include remuneration of the project staff, subsidies, travel expenses, transportation expenses and office expenses. If completion of the construction of the Project is delayed to beyond October 31, 2020 due to any reasons not relating to Wisou Engineering, the parties may negotiate for an adjustment in the project management fees.

The project management fees shall be payable by Wisou Taizhou to Wisou Engineering in 16 equal instalments (i.e. RMB1,250,000 each) on a monthly basis until the intermediate handover of the works by which time no less than 95% of the total project management fees should have been paid to Wisou Engineering. The remaining 5% of the total project management fees shall be paid to Wisou Engineering upon completion of the final settlement of the works.

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- (iv) Remuneration which is estimated to be RMB37,740,000 — which represents the remuneration payable to Wison Engineering as the EPC general contractor and is payable at 10% of the actual engineering costs to be incurred by Wison Engineering for the performance of the contract. Based on the Target Engineering Costs, the remuneration payable to Wison Engineering is estimated to be RMB37,740,000.

The remuneration shall be payable on a monthly basis based on the actual engineering costs payable by Wison Taizhou for the previous month. In any case, the remuneration should be fully paid by Wison Taizhou to Wison Engineering within 14 days after the final settlement of the Wison Taizhou EPC Contract provided that Wison Taizhou shall be entitled to retain 3% of the remuneration as quality warranty (which shall be released to Wison Engineering within 14 days after the expiry of 12 months after the intermediate handover of the works).

Apart from the above payments which comprised the total contract price of the Wison Taizhou EPC Contract, pursuant to the Wison Taizhou EPC Contract, Wison Engineering will be entitled to the following incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety:

- (a) if the actual engineering costs incurred is less than the Target Engineering Costs, Wison Engineering shall be entitled to an incentive payment representing 50% of the difference (the “**Engineering Costs Related Incentive Payment**”);
- (b) incentive payments of a total of RMB1,000,000 shall be payable to Wison Engineering upon achievement of key project milestones (being the on-schedule intermediate handover of the polyamide 10T unit, the polyamide 6T unit, the polyamide 12T unit and the long carbon chain diamine unit);
- (c) an incentive payment of RMB10,000 per day shall be payable to Wison Engineering if the works are delivered ahead of schedule and if the works are delivered ahead of schedule for 30 days or more, the incentive payment shall be increased to RMB20,000 per day;
- (d) an incentive payment of RMB200,000 shall be payable to Wison Engineering for achieving every 500,000 hours of accident free man-hours; and
- (e) an incentive payment of RMB200,000 shall be payable to Wison Engineering upon successful start-up on first attempt.

The incentive payment set out in (a) above shall be payable upon final settlement of the Wison Taizhou EPC Contract while the other incentive payments shall be payable upon satisfaction of the targets. There is no upper limit for the incentive payments set out in (c) and (d) above. When ascertaining the expected maximum amount of incentive payments that Wison Engineering may receive under the Wison Taizhou EPC Contract (being no more than RMB6,400,000), Wison Engineering has anticipated that it may receive (i) the Engineering Costs Related Incentive Payment of no more than

LETTER FROM THE BOARD

RMB5,000,000 (being (a) above); (ii) the incentive payments of a total of RMB1,000,000 which shall be payable upon achievement of key project milestones (being (b) above), (iii) an incentive payment of RMB200,000 which shall be payable for achieving every 500,000 hours of accident free man-hours (being (d) above); and (iv) the incentive payment of RMB200,000 which shall be payable upon successful start-up on first attempt (being (e) above).

Based on the scale of the Project and the scope of work under the Wison Taizhou EPC Contract, the Group has estimated the quantities of materials, equipment and manpower required for the performance of the contract as well as such other costs which it may have to incur during the performance of the contract. The Company has estimated a benchmark price as an internal reference information (the “**Estimated Price**”) based on the scope of work under the Wison Taizhou EPC Contract and with reference to, among others, the market prices of the relevant costs at the time of negotiating the Wison Taizhou EPC Contract with Wison Taizhou, the Group’s recent purchase prices of the relevant materials and equipment, the construction costs incurred for other third party projects in the PRC. The Group has taken into account the Estimated Price when estimating the Target Engineering Costs. In addition, when determining the Target Engineering Costs, the Group has also taken into account factors including the technical requirements, quantity specifications, expected completion time, the customer’s expectations and possible risks factors associated with the Project and formulated an estimated construction schedule and conducted quantitative costs analysis for the Wison Taizhou EPC Contract. When evaluating the design fees, the project management fees, the remuneration and the incentive payments, the Company has taken into account the market rates for the relevant services and the relevant payments receivable by the Group from other third party projects in the PRC as well as the complexity of the design, the length of the project and labour costs.

The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou EPC Contract depends on the actual engineering costs to be incurred by Wison Engineering, which will in turn affect the amount of final remuneration and the Engineering Costs Related Incentive Payment payable to Wison Engineering, as well as the total incentive payments which Wison Engineering is entitled. As mentioned above, the parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification of the engineering design. If completion of the construction of the Project is delayed to beyond October 31, 2020 due to any reasons not relating to Wison Engineering, the parties may also negotiate for an adjustment in the project management fees. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract will not result in the final total amount receivable exceeding RMB537,500,000. The Company will re-comply with the requirements under Chapter 14A of the Listing Rules in the event that any upward adjustment in the contract price of the Wison Taizhou EPC Contract and/or the expected incentive payments will result in the final total amount receivable by Wison Engineering exceeding RMB537,500,000.

LETTER FROM THE BOARD

Internal Control

The Company has implemented internal control procedures and policies on connected transactions to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Group has in place management measures on project contracts to ensure that all project contracts entered into by the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will observe the market conditions and monitor the prevailing market prices or market rates, including the pricings of transactions between the Group and independent third parties in respect of similar services or projects. In addition, before entering into any connected transactions, the Group will also compare other transactions or quotations for similar transactions with independent third parties for similar services or projects. Accordingly, the Company is able to ensure that the pricing terms under the Wison Taizhou EPC Contract are on normal commercial terms or on terms no less favourable than those available to/from independent third parties.

The Group will closely monitor the connected transactions to ensure that they are conducted in accordance with the terms of the relevant connected transaction agreements. The Group will also monitor the amount receivable by Wison Engineering under the Wison Taizhou EPC Contract from time to time so as to ensure that the amount receivable by Wison Engineering will not exceed RMB537,500,000. Wison Engineering will set prescribed alert amount at 80% of such possible maximum amount so that the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules in the event that the total amount receivable by Wison Engineering is likely to exceed RMB537,500,000.

III. INFORMATION ON THE PARTIES AND REASONS FOR AND BENEFITS FOR ENTERING INTO THE WISON TAIZHOU EPC CONTRACT

The Company is an investment holding company. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or “EPC”, services. The Group provides a broad range of integrated services spanning the project 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 the principal operating subsidiary of the Company.

Wison Taizhou is principally engaged in the research and development of new materials, chemical products and chemical equipment, the production and sale of high performance membrane materials products (polyethylene and polypropylene) and the provision of after-sale services.

LETTER FROM THE BOARD

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

The Directors (including the independent non-executive Directors based on the advice of the Independent Financial Adviser, but excluding Ms. Rong Wei who has abstained from voting) are of the view that the Wison Taizhou EPC Contract was entered into in the ordinary and usual course of business of the Group after arm's length negotiation between the Company and Wison Taizhou and reflects normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. LISTING RULES IMPLICATIONS

Wison Holding is a controlling Shareholder which is indirectly interested in approximately 75.88% of the total issued share capital of the Company as at the date of this circular. Hence, Wison Holding is a connected person of the Company. As Wison Taizhou is an indirect wholly-owned subsidiary of Wison Holding, Wison Taizhou is also a connected person of the Company. Accordingly, the transaction contemplated under the Wison Taizhou EPC Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Wison Taizhou EPC Contract is above 5%, the transaction contemplated under the Wison Taizhou EPC Contract is subject to the reporting, announcement and independent shareholders' approval requirements set out in the Listing Rules.

V. EGM

A notice convening the EGM to be held at Room 1, United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on April 18, 2019 at 3:00 p.m. is set out on pages 34 to 35 of this circular. An ordinary resolution will be proposed at the EGM to consider, and if thought fit, approve, the Wison Taizhou EPC Contract and the transaction contemplated thereunder.

The voting in relation to the Wison Taizhou EPC Contract and the transaction contemplated thereunder at the EGM will be conducted by poll by the Independent Shareholders. In accordance with the Listing Rules, any Shareholder and its associates with material interests in the Wison Taizhou EPC Contract and the transaction contemplated thereunder must abstain from voting on the resolution to approve the Wison Taizhou EPC Contract and the transaction contemplated thereunder. As Wison Taizhou is an indirect wholly-owned subsidiary of Wison Holding, Wison Holding has a material interest in the Wison Taizhou EPC Contract and the transaction contemplated thereunder. Wison Engineering Investment Limited, being a wholly-owned subsidiary of Wison Holding and directly interested

LETTER FROM THE BOARD

in approximately 75.88% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the shareholders' resolution approving the Wison Taizhou EPC Contract and the transaction contemplated thereunder, at the EGM.

To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from April 15, 2019 to April 18, 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the 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, Wanchai, Hong Kong, not later than 4:30 p.m. on April 12, 2019.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

VI. RECOMMENDATION

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 Wison Taizhou EPC Contract are fair and reasonable, (ii) whether the transaction contemplated under the Wison Taizhou EPC Contract is conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transaction contemplated under the Wison Taizhou EPC Contract is 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 Wison Taizhou EPC Contract.

Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of Wison Taizhou EPC Contract are fair and reasonable, (ii) whether the transaction contemplated under the Wison Taizhou EPC Contract is conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transaction contemplated under the Wison Taizhou EPC Contract is 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.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders on the Wison Taizhou EPC Contract and the transaction contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 15 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent

LETTER FROM THE BOARD

Shareholders in relation to the Wison Taizhou EPC Contract and the transaction contemplated thereunder, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms and conditions of the Wison Taizhou EPC Contract are on normal commercial terms, and fair and reasonable and the transaction contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the relevant resolution to approve the Wison Taizhou EPC Contract and the transaction contemplated thereunder.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Wison Engineering Services Co. Ltd.
Rong Wei
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee setting out their advice to the Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

April 2, 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

ENGINEERING, PROCUREMENT AND CONSTRUCTION MANAGEMENT CONTRACT WITH WISON TAIZHOU

We refer to the circular of the Company to the Shareholders dated April 2, 2019 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been authorized by the Board to form the Independent Board Committee to advise the Independent Shareholders as to, in our opinion, (i) whether the terms of the Wison Taizhou EPC Contract are fair and reasonable, (ii) whether the transaction contemplated under the Wison Taizhou EPC Contract is conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transaction contemplated under the Wison Taizhou EPC Contract is 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 wish to draw your attention to the letter from the Board as set out on pages 3 to 12 of the Circular and the letter from Red Sun, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Wison Taizhou EPC Contract and the transaction contemplated thereunder as set out on pages 15 to 29 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, and the view of the Board in respect of the Wison Taizhou EPC Contract, we consider the terms of the Wison Taizhou EPC Contract are on normal commercial terms, fair and reasonable, the transaction contemplated thereunder is in the ordinary and usual course of business of the Group, and the transaction contemplated thereunder is in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Wison Taizhou EPC Contract and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Wison Engineering Services Co. Ltd.

Mr. Lawrence Lee

Mr. Tang Shisheng

Mr. Feng Guohua

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

April 2, 2019

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION

ENGINEERING, PROCUREMENT AND CONSTRUCTION MANAGEMENT CONTRACT WITH WISON TAIZHOU

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Wison Taizhou EPC Contract, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated April 2, 2019 (the “**Circular**”), 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.

On March 12, 2019, the Company announced that Wison Engineering and Wison Taizhou (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Wison Taizhou EPC Contract, pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its high performance polyamide project in Taixing Economic Development Zone, Jiangsu Province, the PRC (the “**Project**”).

As at the Latest Practicable Date, Wison Holding is a controlling Shareholder which is indirectly interested in approximately 75.88% of the total issued share capital of the Company. Hence, Wison Holding is a connected person of the Company. As Wison Taizhou is an indirect wholly-owned subsidiary of Wison Holding, Wison Taizhou is also a connected person of the Company. Accordingly, the transaction contemplated under the Wison Taizhou EPC Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Wison Taizhou EPC Contract is above 5%, the transaction contemplated under the Wison Taizhou EPC Contract is subject to the reporting, announcement and independent shareholders’ approval requirements set out in the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An ordinary resolution will be proposed at the EGM to consider, and if thought fit, approve, the Wison Taizhou EPC Contract and the transaction contemplated thereunder. 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 Latest Practicable Date, shall abstain from voting on the shareholders' resolution approving the Wison Taizhou EPC Contract and the transaction contemplated thereunder at the EGM.

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 Wison Taizhou EPC Contract.

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Ms. Rong Wei as executive Director and Chief Executive Officer, Mr. Zhou Hongliang, Mr. Li Zhiyong and Mr. Dong Hua as executive Directors, Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua as independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Wison Taizhou EPC Contract are fair and reasonable; (ii) whether the transaction contemplated under the Wison Taizhou EPC Contract is conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transaction contemplated under the Wison Taizhou EPC Contract is 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 Wison Taizhou EPC Contract.

We, Red Sun Capital Limited, have been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Wison Taizhou EPC Contract are fair and reasonable; (ii) whether the transaction contemplated under the Wison Taizhou EPC Contract is conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transaction contemplated under the Wison Taizhou EPC Contract is 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Wison Taizhou and their respective shareholders, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transaction contemplated under the Wison Taizhou EPC Contract. Save for our appointment as the Independent Financial Adviser, we did not act as independent financial adviser to the Company under the Listing Rules in the past two years.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the “**Management**”). We have assumed that all information, representations and opinions 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 they were made and continue to be as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, Wison Taizhou and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Wison Taizhou EPC Contract and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Company is an investment holding company. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or “EPC”, services. The Group provides a broad range of integrated services spanning the project life cycle from the 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 the principal operating subsidiary of the Company.

Set out below is a summary of the Group’s operating results extracted from the latest published annual results announcement of the Company for the year ended 31 December 2018:

Summary of the Group’s operating results

	For the year ended	
	31 December	
	2017	2018
	RMB’000	RMB’000
	(audited)	(unaudited)
Revenue	4,124,790	3,256,478
— EPC	4,009,407	3,072,348
— Engineering, consulting and technical services	115,383	184,130

The Group records a revenue of approximately RMB4,124.8 million and RMB3,256.5 million for the two years ended 31 December 2017 and 2018, respectively, representing a decrease of approximately HK\$868.3 million or 21.1%. The decrease 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. As set out above, revenue generated from EPC accounted for approximately 97.2% and 94.3% of the Group’s total revenue for the two years ended 31 December 2017 and 2018, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principal activities of Wison Taizhou

Wison Taizhou is principally engaged in the research and development of new materials, chemical products and chemical equipment, the production and sale of high performance membrane materials products (polyethylene and polypropylene) and the provision of after-sale services.

3. Reasons and benefits of entering into the Wison Taizhou EPC Contract

The Company is an investment holding company. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or “EPC”, services. The Group provides a broad range of integrated services spanning the project 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 the principal subsidiary of the Company.

Taking into account the principal activities of the Group as mentioned above, the Group possesses the adequate professional qualification and experience in undertaking the services and is capable of ensuring implementation as the EPC general contractor for the Project contemplated under the Wison Taizhou EPC Contract.

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

Having considered that the EPC is a principal business activity of the Group with majority of the Group’s revenue was contributed by such segment in the pasts and the provision of the services contemplated under the Wison Taizhou EPC Contract is a furtherance and continuance of the Group’s principal businesses, we concur with the Management that the entering into Wison Taizhou EPC Contract and the transactions contemplated thereunder adhere to the business strategy of the Company and would further enhance the Group’s revenue, thereby, generate additional revenue and profit to be beneficial to the Group and its Shareholder as a whole.

4. Principal terms of the Wison Taizhou EPC Contract

Date

March 12, 2019

Parties

- (1) Wison Taizhou; and
- (2) Wison Engineering

Subject matter

Pursuant to the Wison Taizhou EPC Contract, Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for the Project. As the EPC general contractor for the Project, Wison Engineering shall:

- (i) provide engineering design, equipment and materials procurement and construction services for the Project;
- (ii) assist Wison Taizhou in the commissioning and start-up after the intermediate handover of the works and in the performance test of the works;
- (iii) be responsible for compiling completion records; and
- (iv) be responsible for fixing defects and undertakes quality warranty responsibility.

It is expected that the intermediate handover of the entire works under the Wison Taizhou EPC Contract by Wison Engineering to Wison Taizhou shall be no later than June 30, 2020, which date may be postponed with mutual agreement between the parties if there are any changes to the scope of work under the Wison Taizhou EPC Contract. After the intermediate handover of the works by Wison Engineering, Wison Taizhou shall perform commissioning, start-up and performance test of the works. Upon expiry of one year after the satisfactory intermediate handover of the works, Wison Taizhou shall issue a final handover certificate to Wison Engineering, which represents the final handover of the works to Wison Taizhou.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration and Payment

The Wison Taizhou EPC Contract shall become effective upon the approval by the Independent Shareholders being obtained. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract is currently expected to be RMB447,880,000, which comprises the reimbursement of the engineering costs to be incurred by Wison Engineering and the design fees, project management fees and remuneration payable by Wison Taizhou to Wison Engineering. Besides, pursuant to the Wison Taizhou EPC Contract, Wison Engineering will be entitled to certain incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety. It is expected that the total amount of such incentive payments will be no more than RMB6,400,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is expected to be RMB454,280,000.

The breakdown of the total contract price and the payment schedule of each part of the contract price are set out below:

- (i) Engineering costs which are estimated to be RMB377,420,000 (the “**Target Engineering Costs**”) which comprise the costs and expenses to be incurred by Wison Engineering in the construction of the Project and in the procurement of equipment and materials as well as such other costs and expenses which may be incurred by Wison Engineering during the performance of the contract, such as government fees, insurance premium and cost for issuing performance bonds.

Wison Engineering shall obtain the approval from Wison Taizhou before entering into any subcontract for the construction of the Project and the procurement of equipment and materials as well as upon settlement with the subcontractors. Wison Engineering shall also submit to Wison Taizhou for approval any other costs and expenses which may be incurred by Wison Engineering during the performance of the contract. The settlement amounts with the subcontractors and the other costs and expenses as approved by Wison Taizhou shall represent the actual engineering costs. As Wison Taizhou shall reimburse all the actual engineering costs incurred by Wison Engineering, the final engineering costs to be paid by Wison Taizhou to Wison Engineering may be more than or less than the Target Engineering Costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Within 10 business days upon the Wison Taizhou EPC Contract becoming effective, Wison Taizhou shall pay to Wison Engineering 10% of the estimated total contract price (i.e. RMB44,788,000) as prepayment of the engineering costs. Afterwards, Wison Engineering shall, on a monthly basis, submit to Wison Taizhou a construction progress report which shall set out the actual amount of engineering costs payable by Wison Taizhou. 20% of such engineering costs shall be offset against the prepayment amount until the prepayment amount is fully offset. Wison Taizhou shall settle the engineering costs on a monthly basis.

- (ii) Design fees of RMB12,720,000 which represent the fees payable to Wison Engineering for providing design services, preparing the engineering design drawings and completion drawings and assigning representatives to provide design services and technical support on-site. The parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification of the engineering design.

The design fees shall be payable in accordance with the following schedule:

- (a) 20% of the design fees (i.e. RMB2,544,000) shall be paid within 14 days upon the Wison Taizhou EPC Contract becoming effective;
 - (b) an additional 20% of the design fees (i.e. RMB2,544,000) shall be paid upon completion of examination of 60% of the project model;
 - (c) an additional 50% of the design fees (i.e. RMB6,360,000) shall be payable upon delivery of all construction drawings;
 - (d) an additional 7% of the design fees (i.e. RMB890,400) shall be payable when the Project comes into operation and the completion drawings are completed; and
 - (e) the remaining 3% of the design fees (i.e. RMB381,600) shall be payable within 14 days after the expiry of 12 months after the intermediate handover of the works.
- (iii) Project management fees of RMB20,000,000 which represent the costs and expenses to be incurred by Wison Engineering in managing the performance of the Wison Taizhou EPC Contract. Such costs and expenses include remuneration of the project staff, subsidies, travel expenses, transportation expenses and office expenses. If completion of construction of the Project is delayed to beyond October 31, 2020 due to any reasons not relating to Wison Engineering, the parties may negotiate for an adjustment in the project management fees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The project management fees shall be payable by Wison Taizhou to Wison Engineering in 16 equal instalments (i.e. RMB1,250,000 each) on a monthly basis until the intermediate handover of the works by which time no less than 95% of the total project management fees should have been paid to Wison Engineering. The remaining 5% of the total project management fees shall be paid to Wison Engineering upon completion of the final settlement of the works.

- (iv) Remuneration which is estimated to be RMB37,740,000 which represents the remuneration payable to Wison Engineering as the EPC general contractor and is payable at 10% of the actual engineering costs to be incurred by Wison Engineering for the performance of the contract. Based on the Target Engineering Costs, the remuneration payable to Wison Engineering is estimated to be RMB37,740,000.

The remuneration shall be payable on a monthly basis based on the actual engineering costs payable by Wison Taizhou for the previous month. In any case, the remuneration should be fully paid by Wison Taizhou to Wison Engineering within 14 days after final settlement of the Wison Taizhou EPC Contract provided that Wison Taizhou shall be entitled to retain 3% of the remuneration as quality warranty (which shall be released to Wison Engineering within 14 days after the expiry of 12 months after the intermediate handover of the works).

Apart from the above payments which comprised the total contract price of the Wison Taizhou EPC Contract, pursuant to the Wison Taizhou EPC Contract, Wison Engineering will be entitled to the following incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety;

- (a) if the actual engineering costs incurred is less than the Target Engineering Costs, Wison Engineering shall be entitled to an incentive payment representing 50% of the difference (the “**Engineering Costs Related Incentive Payment**”);
- (b) incentive payments of a total RMB1,000,000 shall be payable to Wison Engineering upon achievement of key project milestones (being the on-schedule intermediate handover of the polyamide 10T unit, the polyamide 6T unit, the polyamide 12T unit and the long carbon chain diamine unit);
- (c) an incentive payment of RMB10,000 per day shall be payable to Wison Engineering if the works are delivered ahead of schedule and if the works are delivered ahead of schedule for 30 days or more, the incentive payment shall be increased to RMB20,000 per day;
- (d) an incentive payment of RMB200,000 shall be payable to Wison Engineering for achieving every 500,000 hours of accident free man-hours; and

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- (e) an incentive payment of RMB200,000 shall be payable to Wison Engineering upon successful start-up on first attempt.

The incentive payment set out in (a) above shall be payable upon final settlement of the Wison Taizhou EPC Contract while the other incentive payments shall be payable upon satisfaction of the targets. There is no upper limit for the incentive payments set out in (c) and (d) above. When ascertaining the expected maximum amount of incentive payments that Wison Engineering may receive under the Wison Taizhou EPC Contract (being no more than RMB6,400,000), Wison Engineering has anticipated that it may receive (i) the Engineering Costs Related Incentive Payment of no more than RMB5,000,000 (being (a) above); (ii) the incentive payments of a total of RMB1,000,000 which shall be payable upon achievement of key project milestones (being (b) above); (iii) an incentive payment of RMB200,000 which shall be payable for achieving every 500,000 hours of accident free man-hours (being (d) above); and (iv) the incentive payment of RMB200,000 which shall be payable upon successful start-up on first attempt (being (e) above).

Based on the scale of the Project and the scope of work under the Wison Taizhou EPC Contract, the Group has estimated the quantities of materials, equipment and manpower required for the performance of the contract as well as such other costs which it may have to incur during the performance of the contract. The Company has estimated a benchmark price as an internal reference information (the “**Estimated Price**”) based on the scope of work under the Wison Taizhou EPC Contract and with reference to, among others, the market prices of the relevant costs at the time of negotiating the Wison Taizhou EPC Contract with Wison Taizhou, the Group’s recent purchase prices of the relevant materials and equipment, the construction costs incurred for other third party projects in the PRC. The Group has taken into account the Estimated Price when estimating the Target Engineering Costs. In addition, when determining the Target Engineering Costs, the Group has also taken into account factors including the technical requirements, quantity specifications, expected completion time, the customer’s expectations and possible risks factors associated with the Project and formulated an estimated construction schedule and conducted quantitative costs analysis for the Wison Taizhou EPC Contract. When evaluating the design fees, the project management fees, the remuneration and the incentive payments, the Company has taken into account the market rates for the relevant services and the relevant payments receivable by the Group from other third party projects in the PRC as well as the complexity of the design, the length of the project and labour costs.

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The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou EPC Contract depends on the actual engineering costs to be incurred by Wison Engineering, which will in turn affect the amount of final remuneration and the Engineering Costs Related Incentive Payment payable to Wison Engineering, as well as the total incentive payments which Wison Engineering is entitled. As mentioned above, the parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification of the engineering design. If completion of the construction of the Project is delayed to beyond October 31, 2020 due to any reasons not relating to Wison Engineering, the parties may also negotiate for an adjustment in the project management fees. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract will not result in the final total amount receivable exceeding RMB537,500,000. The Company will re-comply with the requirements under Chapter 14A of the Listing Rules in the event that any upward adjustment in the contract price of the Wison Taizhou EPC Contract and/or the expected incentive payments will result in the final total amount receivable by Wison Engineering exceeding RMB537,500,000.

5. Pricing basis of the Group in respect of the Wison Taizhou EPC Contract

As a general principle, the prices and terms of the EPC contracts shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable than those provided by the independent third party customers of the Group.

As stated in the section headed “**4. Principal terms of the Wison Taizhou EPC Contract**” above, the Company has taken into account the Estimated Price when estimating the Target Engineering Costs. When evaluating the design fees, the project management fees, the remuneration and the incentive payments, the Company has taken into account the market rates for the relevant services and the relevant payments receivable by the Group from other third party projects in the PRC. We have further discussed with the Management and noted that in preparing and assessing the potential EPC contract, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, the customer's expectations and possible risks factors associated with the project and accordingly, to formulate an estimated construction schedule and conduct quantitative costs analysis for the EPC contract.

Based on our discussions with the Management and our review of samples of estimated prices of EPC projects with independent third parties, we noted that the evaluation of the Estimated Price is no different from other EPC contracts with independent third parties. We concur with the Management that the preparation of the Estimated Price was in line with that to independent third parties.

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Pursuant to the terms of the Wison Taizhou EPC Contract, the total contract price is currently expected to be RMB447,880,000 which comprises the reimbursement of the engineering costs to be incurred by Wison Engineering and the design fees, project management fees and remuneration payable by Wison Taizhou to Wison Engineering. Besides, pursuant to the Wison Taizhou EPC Contract, Wison Engineering will be entitled to certain incentive payments from Wison Taizhou for effective costs saving, efficient delivery of works and ensuring work safety. It is expected that the total amount of such incentive payments will be no more than RMB6,400,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is expected to be RMB454,280,000.

For our assessment of the fairness and reasonableness of the prices and service terms of the Wison Taizhou EPC Contract, we have discussed with the Management and reviewed a total of five sample EPC contracts entered into between the Group and independent third parties. Based on our review and discussions with the Management, we noted that the EPC contracts might be negotiated based on (i) the reimbursement of actual engineering costs to be incurred plus a remuneration based on a percentage of the actual engineering costs (similar to the arrangement under the Wison Taizhou EPC Contract) (the “**Reimbursement Arrangement**”); or (ii) the fixed amount receivable from customers whereas the Group would require to bear the actual engineering costs (the “**Lump Sum Arrangement**”). Notwithstanding that the risk profile for these two arrangements are slightly different whereas the risk associated with the Lump Sum Arrangement would be higher than Reimbursement Arrangement, given that the major element contributable to the profit margin under the Wison Taizhou EPC Contract would be the remuneration based on a percentage of the actual engineering costs, we consider that it would be appropriate to compare (i) the remuneration based on a percentage of actual engineering cost under the Reimbursement Arrangement; and (ii) the profit margin of EPC contracts with independent third parties under Lump Sum Arrangement, respectively, for our analysis. We noted that the major element of profit margin in relation to the Wison Taizhou EPC Contract, being remuneration based on 10% of the actual engineering costs to be incurred by Wison Engineering for the performance of the contract, was within the range of the profit margin of those sample EPC contracts. In particular, one of five EPC contracts being reviewed was prepared with similar terms of Wison Taizhou EPC Contract, including the reimbursement of the actual engineering costs to be incurred by Wison Engineering and entitled to certain remuneration payments from such customer, we noted that the remuneration based on a percentage of the actual engineering cost under the Wison Taizhou EPC Contract was slightly higher than the EPC contract entered with independent third party customer. In addition, we have reviewed the remaining four sets of sample EPC contracts entered by Wison Engineering with independent third parties, unlike the arrangement under the Wison Taizhou EPC Contract whereas the actual engineering costs will be reimbursed plus remuneration, we noted that Wison Engineering would need to bear the actual engineering cost and are subject to higher risk on profitability.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the section headed “**II. Principal Terms of the Wison Taizhou EPC Contract**” in the Letter from the Board, when evaluating the design fee and the project management fees, the Company has taken into account the market rates for the relevant services and the relevant payments receivable by the Group from other third party projects in the PRC. We have discussed with the Management and understand that the determination of the design fee and the project management fees would be based on the complexity of the design, the length of the project, labour costs as well the market rates for the relevant services and the relevant payments receivable by the Group from other third party projects in the PRC. We have further discussed with the Management and note that the evaluation of the design fee and project management fees under the Wison Taizhou EPC Contract is no different than the assessments with independent third parties. In addition, we have reviewed a schedule with a total of four projects with independent third parties, setting the design fees, project management fees and the contract size and we noted that the respective percentage of design fee and the project management fees based on the contract size under the Wison Taizhou EPC Contract is (i) in line with the projects with independent third parties; and (ii) slightly higher than the projects with independent third parties.

The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou EPC Contract depends on the actual engineering costs to be incurred by Wison Engineering, which will in turn affect the amount of final remuneration and the Engineering Costs Related Incentive Payment payable to Wison Engineering, as well as the total incentive payments which Wison Engineering is entitled. As mentioned above, the parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification of the engineering design. If completion of the construction of the Project is delayed to beyond October 31, 2020 due to any reasons not relating to Wison Engineering, the parties may also negotiate for an adjustment in the project management fees.

The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract will not result in the final total amount receivable exceeding RMB537,500,000. We have discussed with the Management and reviewed a total of three EPC contracts entered by Wison Engineering with independent third party customers, we noted that it is not uncommon for EPC contract with such a scale and a construction process that last through more than a year to exceed original contract price which was in turn of the factors, including but not limited to, any material change to the scope or specification of the engineering design.

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Shareholders should note that the possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract not exceeding RMB537,500,000 is only an estimate, such upward adjustment would provide the Group the flexibility to execute the Wison Taizhou EPC Contract and that it would avoid unduly delay in the services which the Group is being provided under the Wison Taizhou EPC Contract. Besides, any upward adjustment will be also based on, among others, the actual engineering cost plus a remuneration based on a percentage of actual engineering costs which Wison Engineering is entitled. Therefore, we concur with the Management that the estimated variance of Wison Taizhou EPC Contract was prepared under fair and reasonable basis.

Having considered (i) the Wison Taizhou EPC Contract falls within the principal business activities of the Group; (ii) the results of our independence review on the terms of price determination of the Wison Taizhou EPC Contract are no less favourable than the terms of EPC contract entered between Wison Engineering and independent third parties; and (iii) the upward adjustment of the total amount payable to Wison Engineering under the Wison Taizhou EPC Contract is an estimate only to provide flexibility to continue to execute the development of the Project under the arrangement whereas Wison Engineering is entitled to the reimbursement of the actual engineering cost plus a remuneration based on a percentage of actual engineering costs, we are of the view that entering into the Wison Taizhou EPC Contract is in the ordinary and usual course of business of the Group, and have been entered into on normal commercial terms and the terms of the Wison Taizhou EPC Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 basis and reasons for entering into the Wison Taizhou EPC Contract;
- (ii) the provision of Wison Taizhou EPC Contract is a furtherance and continuance of the Group's businesses;
- (iii) the entering into the Wison Taizhou EPC Contract and the transaction contemplated thereunder will enable the Group to capture both revenue and net profit which is in the interest of the Group and the Shareholders as a whole;
- (iv) the entering into the Wison Taizhou EPC Contract and the transaction contemplated thereunder are in the ordinary and usual course of business of the Company and are on normal commercial terms; and
- (v) all the terms for the Wison Taizhou EPC Contract are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the aforementioned factors and reasons, we are of the opinion that the Wison Taizhou EPC Contract and the transaction contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Wison Taizhou EPC Contract and the transaction contemplated thereunder.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Jimmy Chung
Managing Director

Mr. Jimmy Chung is 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 permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

(a) Interests of the Directors and the Chief Executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate % of shareholding ⁽⁵⁾
Mr. Zhou Hongliang	Beneficial owner	6,290,000 (L) ⁽²⁾	0.15%
Mr. Dong Hua	Beneficial owner	5,100,000 (L) ⁽³⁾	0.13%
Mr. Lawrence Lee	Beneficial owner	1,000,000 (L) ⁽⁴⁾	0.02%
Mr. Tang Shisheng	Beneficial owner	1,000,000 (L) ⁽⁴⁾	0.02%
Mr. Feng Guohua	Beneficial owner	1,000,000 (L) ⁽⁴⁾	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) These 6,290,000 Shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Zhou Hongliang to subscribe for 3,040,000 Shares.
- (3) These 5,100,000 Shares include options granted under the pre-IPO share option scheme of the Company entitling Mr. Dong Hua to subscribe for 2,660,000 Shares.
- (4) Shares in respect of options granted under the pre-IPO share option scheme of the Company.
- (5) As at the Latest Practicable Date, the Company had 4,070,648,600 issued Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

(b) Interests of Directors as director or employee of a substantial shareholder

Ms. Rong Wei, an executive Director, is a director and vice president of Wison Holding. 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 Latest Practicable Date.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or expert had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

None of the Directors has entered into a service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

6. EXPERT AND CONSENT

The following are the qualifications of the expert who has given advice which are contained in this circular:

Name	Qualification
Red Sun	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Red Sun did not have any shareholding, directly and indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Red Sun has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear respectively.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 5408, 54th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong during normal business hours from the date of this circular to the date of the EGM:

- (a) a copy of the Wison Taizhou EPC Contract;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 29 of this circular;

- (d) the letter of consent referred to in the paragraph headed “6. Expert and Consent” in this Appendix; and
- (e) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Wison Engineering Services Co. Ltd. (the “**Company**”) will be held on April 18, 2019 at 3:00 p.m. at Room 1, United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong to consider and, if thought fit, to pass the following as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Wison Taizhou EPC Contract (as defined in the circular of the Company dated April 2, 2019 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Wison Taizhou EPC Contract marked “B” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose), and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised, for and on behalf of the Company, to do all acts and things and execute further documents which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Wison Taizhou EPC Contract and the transaction contemplated thereunder.”

By Order of the Board
Luk Wai Mei
Company Secretary

Hong Kong, April 2, 2019

NOTICE OF EGM

Registered office:

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Room 5408
54th Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

1. Any shareholder entitled to attend and vote at the above EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, shall be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the above EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person if he is subsequently able to be present.
3. A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under seal or under the hand of an officer or attorney duly authorized to sign the same.
4. In the case of joint holders of any shares, any one of such joint holders may vote at the above EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the above EGM, either personally or by proxy, the joint holder whose name stands first in the register of members of the Company, will alone be entitled to vote in respect of such shares.
5. On a poll, every shareholder entitled to vote and present at the EGM shall be entitled to one vote for every fully paid-up share of which he is the holder. The result of such poll shall be deemed to be the resolution of the EGM at which the poll was so required or demanded.
6. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from April 15, 2019 to April 18, 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the 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, Wanchai, Hong Kong, not later than 4:30 p.m. on April 12, 2019.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
8. References to time and dates in this notice are to Hong Kong time and dates.
9. As at the date of this notice, 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.