

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTIONS
POE PILOT TEST ENGINEERING,
PROCUREMENT AND CONSTRUCTION MANAGEMENT CONTRACT
WITH WISON TAIZHOU**

WISON TAIZHOU POE PILOT TEST EPC CONTRACT

The Board announces that on 25 August 2021, Wison Engineering (an indirect wholly-owned subsidiary of the Company) and Wison Taizhou (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Wison Taizhou POE Pilot Test EPC Contract, pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its project in relation to POE Pilot Test in Taixing Economic Development Zone, Jiangsu Province, the PRC.

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.

The commissioning and start-up of the entire works under the Wison Taizhou POE Pilot Test EPC Contract by Wison Engineering to Wison Taizhou is targeted to take place on 31 October 2021, 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 POE Pilot Test EPC Contract.

The Wison Taizhou POE Pilot Test EPC Contract is effective from 25 August 2021. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is currently expected to be RMB19,937,000 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 POE Pilot Test 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 RMB2,000,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB21,937,000.

The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou POE Pilot Test 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. The Company expects that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract will not result in the final total amount receivable by Wison Engineering to exceed RMB25,000,000. 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 POE Pilot Test EPC Contract and/or the expected incentive payments will result in the final total amount receivable by Wison Engineering exceeding RMB25,000,000.

LISTING RULES IMPLICATIONS

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 as at the date of this announcement. 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 POE Pilot Test EPC Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Wison Taizhou POE Pilot Test EPC Contract is expected to be above 0.1% but below 5%, the transaction contemplated thereunder is only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules.

The Board announces that on 25 August 2021, Wison Engineering and Wison Taizhou (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the Wison Taizhou POE Pilot Test EPC Contract, pursuant to which Wison Engineering was engaged by Wison Taizhou as the EPC general contractor for its POE pilot testing project in Taixing Economic Development Zone, Jiangsu Province, the PRC (the “**Project**”)

WISON TAIZHOU POE PILOT TEST EPC CONTRACT

Date

25 August 2021

Parties

- (i) Wison Taizhou; and
- (ii) Wison Engineering

Subject Matter

Pursuant to the Wison Taizhou POE Pilot Test 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.

The commissioning and start-up of the entire works under the Wison Taizhou POE Pilot Test EPC Contract by Wison Engineering to Wison Taizhou is targeted to take place on 31 October 2021, 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 POE Pilot Test EPC Contract.

Consideration and Payment

The Wison Taizhou POE Pilot Test EPC Contract is effective from 25 August 2021. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is currently expected to be RMB19,937,000 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 POE Pilot Test 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 RMB2,000,000. Therefore, the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract is expected to be RMB21,937,000.

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 RMB15,867,000 (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.

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. Wison Taizhou shall settle the engineering costs according to the progress report and the terms of the underlying contracts for such costs.

- (ii) Design fees of RMB1,600,000 — which represent the fees payable to Wison 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. RMB320,000) shall be paid upon the Wison Taizhou POE Pilot Test EPC Contract becoming effective;
 - b) an additional 20% of the design fees (i.e. RMB320,000) shall be paid upon delivery of draft piping & instrument diagrams documents;
 - c) an additional 20% of the design fees (i.e. RMB320,000) shall be paid upon completion of examination of 60% of the project model;
 - d) an additional 30% of the design fees (i.e. RMB480,000) shall be payable upon delivery of all construction drawings; and
 - e) an additional 10% of the design fees (i.e. RMB160,000) shall be payable upon successful commissioning and operation.
- (iii) Project management fees of RMB1,200,000 — which represent the costs and expenses to be incurred by Wison Engineering in managing the performance of the Wison Taizhou POE Pilot Test EPC Contract.

The project management fees shall be payable by Wison Taizhou to Wison Engineering according to project schedule 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 determination of the fees for the Project.

- (iv) Remuneration which is estimated to be RMB1,270,000 — which represents the remuneration payable to Wison Engineering as the EPC general contractor and is payable at 8% 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 RMB1,270,000.

The remuneration shall be payable on a monthly basis based on the actual engineering costs payable by Wison Taizhou for the previous month. Wison Taizhou shall pay to Wison Engineering the remaining remuneration (calculated based on the actual engineering costs) within 14 days after the final determination of the fees for the Project.

Apart from the above payments which comprised the total contract price of the Wison Taizhou POE Pilot Test EPC Contract, pursuant to the Wison Taizhou POE Pilot Test 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 RMB200,000 shall be payable to Wison Engineering if the Project is completed according to scheduled progress.

The incentive payment set out in (a) above shall be payable upon final determination of the fees for the Project while the other incentive payments shall be payable upon satisfaction of the targets.

Based on the scale of the Project and the scope of work under the Wison Taizhou POE Pilot Test 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 POE Pilot Test EPC Contract and with reference to, among others, the market prices of the relevant costs at the time of negotiating the Wison Taizhou POE Pilot Test 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. 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.

The final total amount payable to Wison Engineering by Wison Taizhou under the Wison Taizhou POE Pilot Test 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. The Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou POE Pilot Test EPC Contract will not result in the final total amount receivable exceeding RMB25,000,000. 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 POE Pilot Test EPC Contract and/or the expected incentive payments will result in the final total amount receivable by Wison Engineering exceeding RMB25,000,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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 aftersale services.

In view of the expertise of Wison Engineering in the provision of the services contemplated under the Wison Taizhou POE Pilot Test 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 POE Pilot Test EPC Contract in its ordinary course of business.

As Mr. Liu Hongjun is a director of Wison Holding, Mr. Liu Hongjun has abstained from voting on the Board resolution approving the Wison Taizhou POE Pilot Test EPC Contract.

The Directors (including independent non-executive Directors but excluding Mr. Liu Hongjun who has abstained from voting) are of the view that the Wison Taizhou POE Pilot Test EPC Contract was entered into in the ordinary and usual course of business of the Group after arm’s length negotiation between the parties, reflect normal commercial terms and the terms of the transaction thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

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 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 an indirect wholly-owned subsidiary of Wison Holding. It 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.

Wison Holding is the Company's holding company and is an investment holding company. It is directly wholly-owned by Mr. Hua Bangsong. Mr. Hua Bangsong's principal business activity is the control of the business operations of Wison Group. The principal activity of Wison Group is the provision of engineering services, offshore and marine engineering and new chemical materials. The business of Wison Group covers storage and utilization of resources such as coal, oil and natural gas, onshore energy engineering services, manufacture of marine engineering equipment and development of new downstream chemical materials.

LISTING RULES IMPLICATIONS

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 as at the date of this announcement. 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 POE Pilot Test EPC Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Wison Taizhou POE Pilot Test EPC Contract is expected to be above 0.1% but below 5%, the transaction contemplated thereunder is only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), an exempted company with limited liability incorporated in the Cayman Islands whose issued shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“POE”	Polyethylene-Based Thermoplastic Elastomer
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Project”	the project of Wison Taizhou in relation to POE pilot testing in Taixing Economic Development Zone, Jiangsu Province, the PRC
“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 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 POE Pilot Test EPC Contract”	the EPC general contractor contract dated 25 August 2021 and entered into between Wison Engineering and Wison Taizhou in relation to the Project
“%”	per cent.

By order of the Board
Wison Engineering Services Co. Ltd.
Yan Shaochun
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Yan Shaochun, Mr. Zhou Hongliang, Mr. Dong Hua and Mr. Zheng Shifeng; the non-executive Director and Chairman of the Company is Mr. Liu Hongjun; and the independent non-executive Directors of the Company are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.