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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)

**CONTINUING CONNECTED TRANSACTIONS
NEW ENGINEERING CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT WITH WISON MARINE
AND
CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE
WISON TAIZHOU EPC CONTRACT WITH WISON TAIZHOU
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**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 5 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 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 21 to 45 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 November 30, 2020 at 3:00 p.m. is set out on pages 50 to 52 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 November 25, 2020 to November 30, 2020 (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 November 24, 2020.

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.

Please refer to the section headed "V. ACTIONS TO BE TAKEN" on page 16 of this circular for information on important precautionary measures to be taken at the EGM due to the COVID-19 epidemic.

November 13, 2020

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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
“controlling shareholder”	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 November 30, 2020 at 3:00 p.m. to seek the approval of the Independent Shareholders in respect of (i) the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder and (ii) the Supplemental Agreement and the transactions contemplated thereunder respectively
“Extension”	the temporary extended timeline of intermediate handover of certain works by Wison Engineering, the latest being May 31, 2021, pursuant to the Supplemental Agreement
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser”	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 (i) the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, and (ii) the Supplemental Agreement and the transactions 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
“Independent Shareholders”	all Shareholders other than those with a material interest in the New Engineering Construction Services Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder respectively. For the avoidance of doubt, Independent Shareholders shall exclude Wison Engineering Investment Limited
“Latest Practicable Date”	November 8, 2020, 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
“New Contract Price”	an increased total contract price of RMB714,301,800 payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract as amended by the Supplemental Agreement
“New Engineering Construction Services Framework Agreement”	the engineering construction services framework agreement dated October 30, 2020 entered into between the Company and Wison Marine which will expire on December 31, 2023, the purpose of which is to renew the Previous Engineering Construction Services Framework Agreement
“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

DEFINITIONS

“Previous Engineering Construction Services Framework Agreement”	the engineering construction services framework agreement dated August 3, 2018 entered into between the Company and Wison Marine pursuant to which the relevant members of Wison Marine Group may enter into separate agreements with the relevant members of the Group for the transactions contemplated therein
“Proposed Annual Caps”	the proposed annual caps for the provision of engineering construction services pursuant to the New Engineering Construction Services Framework Agreement for each of the three years ending December 31, 2023 respectively, being RMB1,750,000,000
“Receivable Limit”	the maximum amount of the final total amount receivable by Wison Engineering under the Supplemental Agreement, being no more than 105% of the New Contract Price
“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)”	holders 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
“Supplemental Agreement”	the supplemental agreement dated October 30, 2020 entered into between Wison Engineering and Wison Taizhou to amend the New Contract Price and the Receivable Limit payable by Wison Taizhou to Wison Engineering and extend the expected intermediate handover timeline under the Wison Taizhou EPC Contract
“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 Marine”	Wison Offshore & Marine Limited (惠生海洋工程有限公司), a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of Wison Holding
“Wison Marine Group”	Wison Marine and its subsidiaries and associates

DEFINITIONS

“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 in Taixing Economic Development Zone, Jiangsu Province, the PRC
“%”	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. Dong Hua
Mr. Zheng Shifeng

Non-executive Director:

Mr. Liu Hongjun

Independent Non-executive Directors:

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

Registered Office:

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Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

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

November 13, 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
NEW ENGINEERING CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT WITH WISON MARINE
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LETTER FROM THE BOARD

Reference is made to the announcement of the Company dated October 30, 2020 in relation to (i) the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; and (ii) the Supplemental Agreement and the transactions contemplated thereunder, which 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 New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions 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 New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM.

I. NEW ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Introduction

Reference is made to (i) the announcement of the Company dated October 30, 2020 in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, and (ii) the announcement of the Company dated August 3, 2018 and the circular of the Company dated August 22, 2018 in relation to the Previous Engineering Construction Services Framework Agreement which will expire on December 31, 2020.

In view of the upcoming expiration of the Previous Engineering Construction Services Framework Agreement, on October 30, 2020, the Company and Wison Marine (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the New Engineering Construction Services Framework Agreement, pursuant to which relevant members of Wison Marine Group may, following the principal terms of the New Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the New Engineering Construction Services Framework Agreement, subject to the condition that approval from the Independent Shareholders is obtained at the EGM in respect of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps thereunder for each of the three years ending December 31, 2023. The New Engineering Construction Services Framework Agreement will expire on December 31, 2023 and the transactions contemplated thereunder will be subject to the Proposed Annual Caps of RMB1,750,000,000 for each of the three years ending December 31, 2023, respectively.

LETTER FROM THE BOARD

Principal Terms of the New Engineering Construction Services Framework Agreement

The New Engineering Construction Services Framework Agreement was entered into between the Company and Wison Marine, subject to the Shareholders' approval at the EGM, for the purpose of renewing the Previous Engineering Construction Services Framework Agreement. The principal terms of the New Engineering Construction Services Framework Agreement are summarized below.

Date

October 30, 2020

Parties

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

Term

The New Engineering Construction Services Framework Agreement is for a term commencing January 1, 2021 until December 31, 2023.

Subject Matter

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

Pricing Policy

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

LETTER FROM THE BOARD

For engineering companies, pricing by way of tender is a commonly adopted market-based pricing method. The Group selects contractors by way of tender and determines the contract sum by reference to the relevant tender price of the selected contractor. The Group maintains a policy which governs the tendering process and which is updated from time to time (the “**Subcontract Tendering Policy**”), which policy is applicable to tenders submitted by all subcontractors (including member(s) of Wison Marine Group and independent third parties). The award of a contract to a subcontractor involves the following tendering steps: (i) invitation to tender; (ii) review and assessment of tender submissions; and (iii) tender selection.

When inviting for tender submissions, the Group will set out in advance, on a case-by-case basis and amongst other things, the actual engineering service work scope, the checklist for the volume of work and technical requirements, and require contractors to submit a bid in accordance with such requirements. In accordance with its internal policies for a tender, the Group issues invitations to bid to not less than three contractors (including member(s) of the Wison Marine Group and independent third parties in the market) from its list of qualified contractors, the list of which is regularly reviewed and updated by the Group to ensure the quality of contractors (the “**Qualified Subcontractor List**”). The Group evaluates contractors based on, among others, their respective capacity, quality, technological capabilities, qualifications and track record from time to time. The Group also maintains a policy (the “**Subcontractor Management Policy**”) which sets out the procedures to maintain the Qualified Subcontractor List. In accordance with the Subcontractor Management Policy, the project construction management department of the Group gathers information, including but not limited to, the qualifications, quality control policy, technological capabilities and financial information of contractors as well as conducts site visits and/or obtains feedback from the respective contractor’s other customers. Based on the aforesaid information, the commerce department of the Group together with assistance from other relevant departments of the Group will prepare and submit a report to the senior management of the Company to consider whether to include a contractor into the potential subcontractor list (“**Potential Subcontractor List**”). Among the contractors in the Potential Subcontractor List, based on feedback from the project department, the commerce department of the Group selects and compiles the Qualified Subcontractor List. For each project, the Group will shortlist at least three contractors (which may include a member of the Wison Marine Group and at least two independent contractors) (“**Possible Subcontractors**”) from the Qualified Subcontractor List, taking into account factors including the specific requirements for the construction work and the Group’s satisfaction of the contractor’s work provided to the Group during the past three years. The bid invitations from the Group would include specific requirements of the subcontracting work to invite the Possible Subcontractors to participate in the tendering for the construction work. In accordance with the Subcontract Tendering Policy, for each project, the Group will form a review committee (the “**Review Committee**”) to review and assess the tender submissions. The Review Committee comprises at least 5 members, which may include external experts, the project owner and its representatives, and directors and management staff of the Group who are independent from the Wison Marine Group, as required by the Group’s internal policy. The membership of the Review Committee shall be reviewed by the senior management staff of the commerce department of the Company and approved by the senior

LETTER FROM THE BOARD

management staff of the procurement and construction management departments of the Company. The Review Committee will assign a score to each Possible Subcontractor on the basis of, among others, (i) the price competitiveness; and (ii) its professional qualifications, experience and technological capabilities and will then prepare and submit a tender review report to the senior management of the Group responsible for the project, recommending the contractor with the highest score to be awarded with the contract.

After a contractor (including a member of Wison Marine Group), is selected through the above procedures, the Group will enter into a separate agreement with the contractor in accordance with the terms of the submitted bid. Through the implementation of the above procedures, the Group has historically engaged members of the Wison Marine Group as subcontractors of the Group's modularized construction projects by entering into separate agreements under the Previous Engineering Construction Services Framework Agreement and other independent third parties (as the case maybe). The Group wishes to continue engaging members of the Wison Marine Group (assuming a member of Wison Marine Group is selected as the contractor) by entering into the New Engineering Construction Services Framework Agreement.

Historic Annual Caps and Transaction Amounts

The annual caps under the Previous Engineering Construction Services Framework Agreement are RMB750,000,000, RMB930,000,000 and RMB930,000,000 for the years ended or ending December 31, 2018, 2019 and 2020, respectively. The actual amounts of the historical transactions conducted under the Previous Engineering Construction Services Framework Agreement in respect of the two years ended December 31, 2019 and nine months ended September 30, 2020 are nil, RMB337,238,000 and RMB42,819,423 respectively. The utilization rates of the annual caps adopted under the Previous Engineering Construction Services Framework Agreement are nil, 36.3% and 6.1% (on a pro-rata basis) for the two years ended December 31, 2019 and the nine months ended September 30, 2020, respectively.

The Company determined the annual cap for the year ended December 31, 2018 based on the contract pipeline then on hand. The annual caps for the year ended December 31, 2019 and the year ending December 31, 2020 were estimated with reference to the annual cap for the year ended December 31, 2018. The actual utilization of such annual caps depended on a number factors many of which were beyond the Group's control. Furthermore, the Group does not transact exclusively with Wison Marine Group for subcontracting engineering construction services. The Group has certain policies and procedures to select subcontractors by tender, the details of which are discussed in preceding sections.

LETTER FROM THE BOARD

Proposed Annual Caps

The Board proposes that the below annual caps be set for the contract sum contemplated under the New Engineering Construction Services Framework Agreement for each of the three years ending December 31, 2023:

	For the year ending December 31,		
	2021	2022	2023
	Annual cap	Annual cap	Annual cap
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Contract sum	1,750,000,000	1,750,000,000	1,750,000,000

The Proposed Annual Caps for each of the three years ending December 31, 2023 have been determined based on (i) the number of projects the Group is expected to bid for, (ii) the Group’s estimation of the size of such projects, (iii) the estimate of the modularized construction and pre-fabrication engineering services that need to be outsourced, (iv) the historical contract price of the modularized construction and pre-fabrication engineering services which had been outsourced in the previous projects that the Group successfully bid for and (v) the Group’s key performance indicator. Therefore, the amount of RMB1,750,000,000, representing the estimated aggregated contract sum of engineering construction services to be sourced from Wison Marine Group (assuming a member of Wison Marine Group is selected as the contractor) for projects which the Group is expected to bid for and which involve modularized construction and pre-fabrication engineering services in 2021, 2022 and 2023 respectively, has been set as the Proposed Annual Caps for each of the three years ending December 31, 2023.

In particular, the Proposed Annual Caps are determined with reference to the estimated total subcontract value of modularized construction services relating to five potential EPC projects which the Group is targeting and are expected to commence in 2021. For the avoidance of doubt, these five potential EPC projects have not yet been awarded to the Group and thus the Group may or may not be awarded with all these projects. For each of such potential projects, the Company prepares a list of works required together with the estimated cost for such works, the procedure of which is consistent with the pricing policy of the Company previously mentioned. The Company then identifies the construction works which need to be subcontracted and may be undertaken by the Wison Marine Group or other independent contractors, in particular the works relating to modularized construction and pre-fabrication services. The aggregate costs of such specific works that need to be subcontracted and may be undertaken by the Wison Marine Group form the basis of the Proposed Annual Cap for the year ending December 31, 2021.

LETTER FROM THE BOARD

The Proposed Annual Cap for each of the years ending December 31, 2022 and 2023 is estimated based on the Proposed Annual Cap for the year ending December 31, 2021, that being RMB1,750,000,000, as the modularized pre-fabrication and engineering construction services business is largely project-based and such tendering environment is competitive. While it is appropriate not to cast any adjustment factor to the Proposed Annual Caps in respect of the two years ending December 31, 2023, the Company was of the view that the Proposed Annual Caps for each of the three years ending December 31, 2023 should be consistently set at RMB1,750,000,000.

The Company, in determining the Proposed Annual Caps, also considered the fact that the annual caps under the Previous Engineering Construction Services Framework Agreement were not fully utilized and the possible reasons as discussed above. Taking into account of (i) the possibility of the Wison Marine Group members being selected as subcontractors for the EPC projects that the Group has successfully bid for or is bidding for, (ii) the five potential EPC projects that are expected to commence in 2021 and (iii) the benefits and continuous need for modularized construction services, the Directors (other than the independent non-executive Directors who have been advised by the Independent Financial Adviser and Ms. Rong Wei and Mr. Liu Hongjun who have abstained from voting) are of the view that the Proposed Annual Caps are fair and reasonable despite the failure to fully utilize the annual caps previously adopted.

Information on the parties and reasons and benefits for entering into the New Engineering Construction Services Framework Agreement

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

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

LETTER FROM THE BOARD

the quality of the services provided under the Previous Engineering Construction Services Framework Agreement and the familiarity with the business of the Group, the Company is of the view that the entering into of the New Engineering Construction Services Framework Agreement to renew the Previous Engineering Construction Services Framework Agreement is complementary and beneficial to the Group's business.

Wison Holding is directly and wholly owned by Mr. Hua Bangsong and Mr. Hua Bangsong's principal business activity is the control of the business operations of Wison Holding.

Wison Holding together with its subsidiaries (the "**Wison Group**") is principally engaged in the provision of engineering services, offshore and marine engineering and new chemical materials. The business of Wison Group covers the storage and utilization of resources including coal, oil and natural gas, onshore energy engineering services, manufacture of marine engineering equipment and development of new downstream chemical materials.

II. SUPPLEMENTAL AGREEMENT TO THE WISON TAIZHOU EPC CONTRACT

Introduction

Reference is made to (i) the announcement of the Company dated October 30, 2020 in relation to the Supplemental Agreement and (ii) the announcement of the Company dated March 12, 2019 and the circular of the Company dated April 2, 2019 in respect of the Wison Taizhou EPC Contract, entered into between 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), pursuant to which Wison Engineering agreed to act as the EPC general contractor for Wison Taizhou's project in Taixing Economic Development Zone, Jiangsu Province, the PRC. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract was expected to be RMB447,880,000 which comprised several parts, for example, reimbursement of actual engineering costs to be incurred by Wison Engineering, design fees, project management fees, and remuneration. As the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is subject to adjustment based on factors like actual engineering costs, incentive payment and any delay, the Company previously expected and announced that the possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract would not result in the final total receivable exceeding RMB537,500,000. At the extraordinary general meeting of the Company held on April 2, 2019, the independent Shareholders approved the connected transactions between Wison Engineering and Wison Taizhou contemplated under the Wison Taizhou EPC Contract.

LETTER FROM THE BOARD

The Supplemental Agreement

On October 30, 2020 (after trading hours), Wison Engineering and Wison Taizhou entered into the Supplemental Agreement to the Wison Taizhou EPC Contract under which the parties agreed to:—

- (i) increase the total contract price payable by Wison Taizhou to the Wison Engineering to RMB714,301,800, being the New Contract Price, comprising:
 - (a) an increase in the engineering costs by RMB142,000,000;
 - (b) an increase in the design fees by RMB9,000,000;
 - (c) an increase in the project management fees by RMB8,750,000 (if the project finishes before or after May 31, 2021, being the temporary expected timeline of intermediate handover, the project management fees will be increased or reduced by RMB1,250,000 for every calendar month of delay or advance); and
 - (d) an increase in the remuneration by RMB17,071,800;
- (ii) amend the maximum amount for the final total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract from RMB537,500,000 to the Receivable Limit; and
- (iii) temporarily extend the expected timeline of intermediate handover of certain works by Wison Engineering, the latest being to May 31, 2021, being the Extension.

Reasons for entering into the Supplemental Agreement

After taking into account of the updated volume and scope of work undertaken by Wison Engineering during the performance the Wison Taizhou EPC Contract, which include: (i) additional 21000 metres of piling foundation, (ii) additional 33,000 square metres of floor deck, (iii) additional 69,000 square metres of the vertical heavy-duty flooring and gravel flooring, (iv) additional cost in renovating laboratory building, central control room and canteen, (v) additional cost in greening the area in front of the factory, parking lot and road engineering, (vi) increased volume of equipment, materials and steel structure engineering for certain works, (vii) increased volume of civil engineering installation of sewage treatment and (viii) additional cost in the civil engineering of 110KV substation (the “**Additional Works and Costs**”), the parties agreed on the New Contract Price, the Receivable Limit and the Extension upon arm’s length negotiation.

LETTER FROM THE BOARD

In relation to the Receivable Limit, as the final total amount payable to Wison Engineering by Wison Taizhou under Wison Taizhou EPC Contract (as amended and/or supplemented by the Supplemental Agreement) is subject to adjustment based on factors like actual engineering costs, incentive payment and any delay, the Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract (as amended and/or supplemented by the Supplemental Agreement) will not result in the final total amount receivable exceeding the Receivable Limit.

Information on the parties and benefits for entering into the Supplemental Agreement

The Company is an investment holding company. As explained above, the principal activity of the Group is the provision of chemical engineering, procurement and construction management, or “EPC” services. 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 aftersales services.

Wison Taizhou is an indirect wholly-owned subsidiary of Wison Holding which is in turn wholly owned by Mr. Hua Bangsong and Mr. Hua Bangsong’s principal business activity is the control of the business operations of Wison Holding. Wison Holding together with its subsidiaries (the “**Wison Group**”) is principally engaged in the provision of engineering services, offshore and marine engineering and new chemical materials. The business of Wison Group covers the storage and utilization of resources including coal, oil and natural gas, onshore energy engineering services, manufacture of marine engineering equipment and development of new downstream chemical materials.

In view of the expertise and quality of Wison Engineering in the provision of the services contemplated and provided under the Wison Taizhou EPC Contract, the Additional Works and Costs and that the upward adjustment to the New Contract Price, the Receivable Limit and the Extension are negotiated after arm’s length discussions and reflect normal commercial terms, the Company considers it desirable to enter into the Supplemental Agreement in its ordinary and usual course of business.

III. LISTING RULES IMPLICATIONS

Wison Holding is a controlling shareholder of the Company which is indirectly interested in 3,088,782,146 shares which amount to approximately 75.82% of the total issued share capital of the Company as at the Latest Practicable Date. Hence, Wison Holding is a connected person of the Company.

LETTER FROM THE BOARD

As Wison Marine is an indirect wholly-owned subsidiary of Wison Holding, Wison Marine is also a connected person of the Company. Accordingly, the transactions contemplated under the New Engineering Construction Services Framework Agreement constitute continuing connected transactions 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 transactions contemplated under the New Engineering Construction Services Framework Agreement is above 5%, the transactions contemplated under the New Engineering Construction Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in the Listing Rules.

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 and that the amendments contemplated under the Supplemental Agreement constitute a material change to the terms of the Wison Taizhou EPC Contract. The Company is required to re-comply with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

IV. 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 November 30, 2020 at 3:00 p.m. is set out on pages 50 to 52 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, approve, (i) the New Engineering Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps and (ii) the Supplemental Agreement and the transactions contemplated thereunder.

The voting in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions 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 New Engineering Construction Services Framework Agreement and the Supplemental Agreement must abstain from voting on the resolutions to approve the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder. As Wison Marine and Wison Taizhou are indirect wholly-owned subsidiaries of Wison Holding (a controlling shareholder of the Company), Wison Holding has a material interest in the New Engineering Construction Services Framework Agreement and the Supplemental Agreement. Wison Engineering Investment Limited, being a wholly-owned subsidiary of Wison Holding and directly interested in approximately 75.82% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the Shareholders' resolutions approving the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder, at the EGM.

LETTER FROM THE BOARD

To ascertain Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from November 25, 2020 to November 30, 2020 (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 November 24, 2020.

V. ACTIONS TO BE TAKEN

Taking into account the recent development of the COVID-19 epidemic, the Company recommends Shareholders to **vote by filling in and submitting the proxy form**, i.e. indicate your voting intention and designate the chairman of the EGM as your proxy to vote on your behalf, instead of attending the EGM in person.

The Company will also implement the following precautionary measures at the EGM against the epidemic to protect the attendees from the risk of infection:

- (i) **compulsory body temperature check** will be conducted for every attendee at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- (ii) every attendee is required to **wear surgical facial mask throughout the meeting**; and
- (iii) **no refreshment** will be served.

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.

LETTER FROM THE BOARD

VI. RECOMMENDATION

As Ms. Rong Wei is a director and vice president of Wison Holding and Mr. Liu Hongjun is also a director and president of Wison Holding, Ms. Rong Wei and Mr. Liu Hongjun have abstained from voting on the Board resolutions approving the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder.

The Directors (other than the independent non-executive Directors who have been advised by the Independent Financial Adviser and Ms. Rong Wei and Mr. Liu Hongjun who have abstained from voting) are of the view that (i) the New Engineering Construction Services Framework Agreement and the Supplemental Agreement were entered into in the ordinary and usual course of business of the Group after parties' arm's length negotiation and reflect normal commercial terms, (ii) the terms and transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 respectively:

- (a) in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder as to (i) whether the terms of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable, (ii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders; and
- (b) in relation to the Supplemental Agreement and the transactions contemplated thereunder as to (i) whether the terms of the Supplemental Agreement are fair and reasonable; (ii) whether the transactions contemplated under the Supplemental Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Supplemental Agreement are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders.

No member of the Independent Board Committee has any material interest in the New Engineering Construction Services Framework Agreement and the Supplemental Agreement.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the above matters.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders on the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 45 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions 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:

- (a) in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, (i) the terms and conditions of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable, (ii) the transactions contemplated under the New Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company and (iii) the transactions contemplated under the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole; and
- (b) in relation to the Supplemental Agreement and the transactions contemplated thereunder, (i) the terms and conditions of the Supplemental Agreement are fair and reasonable; (ii) the transactions contemplated under the Supplemental Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company and (iii) the transactions contemplated under the Supplemental Agreement are 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 New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder respectively.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
Wilson 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)

November 13, 2020

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
NEW ENGINEERING CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT WITH WISON MARINE
AND
CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE
WISON TAIZHOU EPC CONTRACT WITH WISON TAIZHOU**

We refer to the circular of the Company to the Shareholders dated November 13, 2020 (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 respectively:

- (a) in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder as to (i) whether the terms of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable, (ii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the New Engineering Construction Services

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Framework Agreement and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders; and

- (b) in relation to the Supplemental Agreement and the transactions contemplated thereunder as to (i) whether the terms of the Supplemental Agreement are fair and reasonable; (ii) whether the transactions contemplated under the Supplemental Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company, (iii) whether the transactions contemplated under the Supplemental Agreement are in the interests of the Company and its Shareholders as a whole, and (iv) the voting action that should be taken by the Independent Shareholders.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 18 of the Circular and the letter from Red Sun Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder as set out on pages 21 to 45 of the Circular.

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 New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated therein, we consider the terms of the New Engineering Construction Services Framework Agreement, the Supplemental Agreement and the Proposed Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and the transactions contemplated thereunder and the Proposed Annual Caps are 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 New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder.

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

November 13, 2020

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
NEW ENGINEERING CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT WITH WISON MARINE
AND
CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE
WISON TAIZHOU EPC CONTRACT WITH WISON TAIZHOU**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; and (ii) the Supplemental Agreement and the transactions contemplated thereunder, 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 November 13, 2020 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

In view of the upcoming expiration of the Previous Engineering Construction Services Framework Agreement, the Board announced, amongst others, that on October 30, 2020 (after trading hours), the Company and Wison Marine (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) entered into the New Engineering Construction Services Framework Agreement, pursuant to which relevant members of Wison Marine Group may, following the principal terms of the New Engineering Construction Services Framework Agreement, from time to time enter into separate agreements with relevant members of the Group in relation to the transactions contemplated under the New Engineering Construction Services Framework Agreement, subject to the condition that approval from the Independent Shareholders is obtained at the EGM in respect of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps thereunder for each of the three years ending December 31, 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The New Engineering Construction Services Framework Agreement will expire on December 31, 2023 and the transactions contemplated thereunder will be subject to the Proposed Annual Caps of RMB1,750,000,000 for each of the three years ending December 31, 2023, respectively.

As disclosed in the announcement of the Company dated March 12, 2019 and the circular of the Company dated April 2, 2019 in respect of the Wison Taizhou EPC Contract entered into between 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), pursuant to which Wison Engineering agreed to act as the EPC general contractor for Wison Taizhou's project in Taixing Economic Development Zone, Jiangsu Province, the PRC (the "**Project**"). The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract was expected to be RMB447,880,000 which comprised several parts, for example, reimbursement of actual engineering costs to be incurred by Wison Engineering, design fees, project management fees and remuneration. As the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is subject to adjustment based on factors like actual engineering costs, incentive payment and any delay, the Company previously expected and announced that the possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract would not result in the final total receivable exceeding RMB537,500,000.

The Board announced, amongst others, that, on October 30, 2020 (after trading hours), Wison Engineering and Wison Taizhou entered into the Supplemental Agreement to the Wison Taizhou EPC Contract, pursuant to which the parties agreed to (i) increase the total contract price payable by Wison Taizhou to Wison Engineering to RMB714,301,800, being the New Contract Price; (ii) amend the maximum amount for the final total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract from RMB537,500,000 to the Receivable Limit; and (iii) temporarily extend the expected intermediate handover of certain works by Wison Engineering, the latest being to May 31, 2021, being the Extension.

Wison Holding is a controlling shareholder of the Company which is indirectly interested in 3,088,782,146 shares which amount to approximately 75.82% of the total issued share capital of the Company as at the Latest Practicable Date. Hence, Wison Holding is a connected person of the Company.

As Wison Marine is an indirect wholly-owned subsidiary of Wison Holding, Wison Marine is also a connected person of the Company. Accordingly, the transactions contemplated under the New Engineering Construction Services Framework Agreement constitute continuing connected transactions 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 transactions contemplated under the New Engineering Construction Services Framework Agreement is above 5%, the transactions contemplated under the New Engineering Construction Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and that the amendments contemplated under the Supplemental Agreement constitute a material change to the terms of the Wison Taizhou EPC Contract. The Company is required to re-comply with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

The EGM will be convened by the Company at which ordinary resolutions will be proposed to the Independent Shareholders to consider, and if thought fit, approve, (i) the New Engineering Construction Services Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps; and (ii) the Supplemental Agreement and the transactions contemplated thereunder. As Wison Marine and Wison Taizhou are indirect wholly-owned subsidiaries of Wison Holding (a controlling shareholder of the Company), Wison Holding has a material interest in the New Engineering Construction Services Framework Agreement and the Supplemental Agreement. Wison Engineering Investment Limited, being a wholly-owned subsidiary of Wison Holding and directly interested in approximately 75.82% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the Shareholders' resolutions approving the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps, the Supplemental Agreement and the transactions contemplated thereunder, at the EGM.

As Ms. Rong Wei is a director and vice president of Wison Holding and Mr. Liu Hongjun is also a director and president of Wison Holding, Ms. Rong Wei and Mr. Liu Hongjun have abstained from voting on the Board resolutions approving the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the Supplemental Agreement and the transactions contemplated thereunder.

II. THE INDEPENDENT BOARD COMMITTEE

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

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been established to advise the Independent Shareholders respectively:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (a) in relation to the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder as to (i) whether the terms of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable; (ii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders; and
- (b) in relation to the Supplemental Agreement and the transactions contemplated thereunder as to (i) whether the terms of the Supplemental Agreement are fair and reasonable; (ii) whether the transactions contemplated under the Supplemental Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transactions contemplated under the Supplemental Agreement are in the interests of the Company and its Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

No member of the Independent Board Committee has any material interest in the New Engineering Construction Services Framework Agreement and the Supplemental Agreement.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise (in respect of the New Engineering Construction Services Framework Agreement) the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are fair and reasonable; (ii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transactions contemplated under the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

We, Red Sun Capital Limited, have been appointed as Independent Financial Adviser to advise (in respect of the Supplemental Agreement) the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Supplemental Agreement are fair and reasonable; (ii) whether the transactions contemplated under the Supplemental Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) whether the transactions contemplated under the Supplemental Agreement are in the interests of the Company and its Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Wison Taizhou, Wison Marine and their respective shareholders, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the New Engineering Construction Services Framework Agreement and the Supplemental Agreement and the Proposed Annual Caps, respectively.

In the last two years, save for our appointment as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of which were set out in the circular of the Company dated April 2, 2019, we have not acted as an independent financial adviser to the Company for any transaction.

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.

IV. 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, Wison Marine and their respective associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New Engineering Construction Services Framework Agreement, the Proposed Annual Caps and the Supplemental Agreement, and the transactions contemplated thereunder which, 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.

V. 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 as extracted from the Company’s latest published (i) annual report for the year ended December 31, 2019 (the “**2019 Annual Report**”); and (ii) interim report for the six months ended June 30, 2020 (the “**2020 Interim Report**”):

Summary of the Group’s operating results

	For the year ended		For the six months ended	
	December 31,		June 30,	
	2018	2019	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3,256,478	4,367,271	1,611,231	2,313,972
— EPC	3,072,348	4,201,633	1,527,204	2,231,384
— Engineering, consulting and technical services	184,130	165,638	84,027	82,588

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2019 Annual Report, the Group recorded revenue of approximately RMB3,256.5 million and approximately RMB4,367.3 million for the years ended December 31, 2018 and 2019, respectively, representing an increase of approximately RMB1,110.8 million or 34.1%. The increase in revenue was mainly attributable to the increase in revenue recognized in the year ended December 31, 2019 as a result of the satisfactory progress achieved by the Group's key projects, and that the overseas petrochemical projects in the United States and Middle East have entered into the peak construction stage. As set out above, EPC accounted for approximately 94.3% and approximately 96.2% of the Group's total revenue for the years ended December 31, 2018 and 2019, respectively.

As disclosed in the 2020 Interim Report, the Group recorded revenue of approximately RMB1,611.2 million and approximately RMB2,314.0 million for the six months ended June 30, 2019 and 2020, respectively, representing an increase of approximately RMB702.8 million or 43.6%. The increase in revenue was mainly attributable to the increase in revenue recognized in the six months ended June 30, 2020 as a result of the smooth progress of the Group's petrochemical projects in the United States, Middle East and the PRC. As set out above, EPC accounted for approximately 94.8% and approximately 96.4% of the Group's total revenue for the six months ended June 30, 2019 and 2020, respectively.

2. The New Engineering Construction Services Framework Agreement

2.1 Principal activities of Wison Marine

Wison Marine and its associates are marine engineering contractors and equipment manufacturers specializing in servicing marine oil and natural gas exploration projects. Wison Marine has established construction bases in Nantong and Zhoushan in the PRC and is qualified to undertake marine, oil and gas equipment construction services which would satisfy stringent international and domestic safety and quality standards.

2.2 Reasons and benefits of entering into the New Engineering Construction Services Framework Agreement

The principal activity of the Group is the provision of chemical engineering, procurement and construction management services. As the construction services to be provided during the course of the business operations of the Group have to be implemented directly by relevant operators, there is a need for the Group to engage specialized contractors with such operators to undertake the construction work of projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, Wison Marine Group is capable of providing construction services, especially modularized construction services, that would complement the Company's rapidly-growing domestic and overseas construction projects and it is familiar with the business of the Group and is able to meet the Group's requirements on project deliverables and quality. In view of the expertise of Wison Marine and its subsidiaries in the provision of the services contemplated under the New Engineering Construction Services Framework Agreement, the quality of the services provided under the Previous Engineering Construction Services Framework Agreement and the familiarity with the business of the Group, the Company is of the view that the entering into of the New Engineering Construction Services Framework Agreement to renew the Previous Engineering Construction Services Framework Agreement is complementary and beneficial to the Group's business.

Prior to entering into the New Engineering Construction Services Framework Agreement, the Wison Marine Group has been acting as subcontractors to the Group's projects pursuant to the Previous Engineering Construction Services Framework Agreement since 2018 and the supply of certain piperack modules to support the Group's engineering projects in 2017. As confirmed by the Company, it is satisfied with the work provided by the Wison Marine Group so far.

We concur with the Company that the Wison Marine Group should be familiar with the business of the Group and are able to meet the Group's requirements on project deliverables and quality standards. Given that (i) the respective principal businesses of the Group and the Wison Marine Group; and (ii) the New Engineering Construction Services Framework Agreement would ensure the continuation for the Group to engage members of the Wison Marine Group to provide subcontracting construction services as long as their tender is competitive to other tenders submitted by independent subcontractors, we concur with the Management that the entering into the New Engineering Construction Services Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

2.3 Principal terms of the New Engineering Construction Services Framework Agreement

The principal terms of the New Engineering Construction Services Framework Agreement are summarized below, for details, please refer to the Letter from the Board:

Date

October 30, 2020

Parties

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Term

The New Engineering Construction Services Framework Agreement is for a term commencing from January 1, 2021 until December 31, 2023.

Subject Matter

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

Pricing Policy

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

As set out in the Letter from the Board, for engineering companies, pricing by way of tender is a commonly adopted market-based pricing method. The Group selects contractors by way of tender and determines the contract sum by reference to the relevant tender price of the selected contractor. The Group maintains a policy which governs the tendering process and which is updated from time to time (the "**Subcontract Tendering Policy**"), which policy is applicable to tenders submitted by all subcontractors (including member(s) of Wison Marine Group and independent third parties). The award of a contract to a subcontractor involves the following tendering steps: (i) invitation to tender; (ii) review and assessment of tender submissions; and (iii) tender selection.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When inviting for tender submission, the Group will set out in advance, on a case-by-case basis and amongst other things, the actual engineering service work scope, the checklist for the volume of work and technical requirements, and require contractors to submit a bid in accordance with such requirements. In accordance with its internal policies for a tender, the Group issues invitations to bid to not less than three contractors (including member(s) of the Wison Marine Group and independent third parties in the market) from its list of qualified contractors, the list of which is regularly reviewed and updated by the Group to ensure the quality of contractors (“**Qualified Subcontractor List**”).

When evaluating the bids submitted by contractors, the Group focuses on a number of factors, including (i) the price competitiveness; and (ii) the professional qualifications, experience and technological capabilities of potential contractors. The contractor with the highest score in the evaluation results will be recommended to be awarded with the contract.

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

The Management has provided us with the following policies and manuals issued by Wison Engineering: (i) the Subcontract Tendering Policy; (ii) a policy regarding the management of the Qualified Subcontractor List (the “**Subcontractor Management Policy**”); (iii) a policy regarding the management of contracts relating to subcontract (the “**Subcontract Contract Management Policy**”); and (iv) the Qualified Subcontractor List. The Management represents to us that Wison Engineering is the principal subsidiary of the Company and all members in the Group follow these policies and manuals when carrying out any contracting, subcontracting, and related responsibilities.

We have reviewed the Subcontract Tendering Policy which the Group follows when carrying out any tendering process. According to the Subcontract Tendering Policy, the award of a contract to a subcontractor involves the following tendering steps: (i) invitation to tender; (ii) review and assessment of tender submissions; and (iii) tender selection.

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We note that the Group maintains the Qualified Subcontractor List and evaluates contractors based on, among others, capacity, quality, technological capabilities, qualifications and track records from time to time. We have reviewed the Subcontractor Management Policy which sets out the procedures to maintain the Qualified Subcontractor List. According to the Subcontractor Management Policy, the project construction management team of the Group gathers information, including but not limited to, the qualifications, quality control policy, technological capabilities and financial information of contractors as well as conducts site visits and/or obtains feedback from the respective contractors' other customers. Based on the aforesaid information, the commerce department of the Group together with assistance from other relevant departments of the Group will prepare and submit a report to the senior management of the Company to consider whether to include a contractor into the potential subcontractor list (the "**Potential Subcontractor List**").

Among the contractors in the Potential Subcontractor List, based on feedback from the project department, the commerce department of the Group selects and compiles the Qualified Subcontractor List. For each project, the Group will shortlist at least three contractors (which may include a member of the Wison Marine Group and at least two independent contractors) (the "**Possible Subcontractors**") from the Qualified Subcontractor List, taking into account factors including the specific requirements for the construction work and the Group's satisfaction of the contractor's work provided to the Group during the past three years. The bid invitations from the Group will include specific requirements of the subcontracting work to invite the Possible Subcontractors to participate in the tendering for the construction work.

According to the Subcontract Tendering Policy and based on our discussions with the Management, for each project, the Group will form a review committee (the "**Review Committee**") to review and assess the tender submissions. The Review Committee comprises at least five members, which may include external experts, the project owner and its representatives, and directors and management staff of the Group who are independent from the Wison Marine Group, as required by the Company's internal policy. The membership of the Review Committee shall be reviewed by the senior management staff of the commerce department of the Company and approved by the senior management staff of the procurement and construction management departments of the Company. The Review Committee will assign a score to each Possible Subcontractor on the basis of, among others, (i) the price competitiveness; and (ii) its professional qualifications, experience and technological capabilities and will then prepare and submit a tender review report to the senior management of the Group responsible for the project, recommending the contractor with the highest score to be awarded with the contract.

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The Subcontract Contract Management Policy sets out, amongst others, the responsibilities to prepare, review and approve subcontracting contracts and the threshold of the delegated authority determined with reference to the contract size. The Management confirms that the Subcontract Contract Management Policy is always followed when subcontract contracts are entered into.

The Subcontract Tendering Policy is applicable to tenders submitted by connected persons as well as independent subcontractors.

We have reviewed tendering documents relating to three modularized pre-fabrication and engineering construction service projects contracted between the Group and the Wison Marine Group. We have requested for a greater number of transactions to review and the Company could not provide more as there were only three transactions carried out with the Wison Marine Group since 2018. For each of these three transactions, Wison Marine was one of the invited bidders alongside two other independent bidders. We have reviewed the relevant documentation including the Group's bid invitation documents, the relevant terms of tender documents submitted by the Possible Subcontractors and the tender review report prepared by the Review Committee.

We note that not less than three contractors were invited to tender for each of the three reviewed subcontract transactions. A tender review report was prepared to set out, amongst others, the analysis of the bidders' information and competence in respect of the project, and the bidding results. The Subcontract Tendering Policy stipulates specific parameters to evaluate tenders received. We note that the tender selection process has referred to the Subcontract Tendering Policy and followed the evaluation requirements according to the specific parameters.

Based on the above, we consider that the selection of contractors by way of tender under the New Engineering Construction Services Framework Agreement is fair and reasonable. The Group has implemented policy and procedure to ensure that the selection of tenders is carried out according to specific parameters with quantitative standards, where applicable. This will ensure that the tendering process are carried out on terms in the interests of the Company and its Shareholders as a whole.

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2.4 Proposed Annual caps

The Board proposes that the below annual caps be set for the contract sums contemplated under the New Engineering Construction Services Framework Agreement for each of the three years ending December 31, 2023:

	For the years ending December 31,		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Contract sum	1,750,000,000	1,750,000,000	1,750,000,000

The Proposed Annual Caps for each of the three years ending December 31, 2023 have been determined based on (i) the number of projects the Group is expected to bid for; (ii) the Group's estimation of the size of such projects; (iii) the estimate of the modularized construction and pre-fabrication engineering services that need to be outsourced; (iv) the historical contract price of the modularized construction and pre-fabrication engineering services which had been outsourced in the previous projects that the Group successfully bid for; and (v) the Group's key performance indicator.

Therefore, the amount of RMB1,750 million, representing the estimated aggregated contract sum of engineering construction services to be sourced from Wison Marine Group (assuming a member of Wison Marine Group is selected as the contractor) for projects which the Group is expected to bid for and which involve modularized construction and pre-fabrication engineering services in 2021, 2022 and 2023 respectively, has been set as the Proposed Annual Caps for each of the three years ending December 31, 2023.

In particular, the Proposed Annual Caps are determined with reference to the estimated total subcontract value of modularized construction services relating to five potential EPC projects which the Group is targeting and are expected to commence in 2021. For the avoidance of doubt, these five potential EPC projects have not yet been awarded to the Group and thus the Group may or may not be awarded all these projects. For each of such potential projects, the Company prepares a list of works required together with the estimated cost for such works, the procedure of which is consistent with the pricing policy of the Company previously mentioned. The Company then identifies the construction works which need to be subcontracted and may be undertaken by the Wison Marine Group or other independent contractors, in particular, the works relating to modularized construction and pre-fabrication services. The aggregate costs of such specific works that need to be subcontracted and may be undertaken by the Wison Marine Group form the basis of the Proposed Annual Cap for the year ending December 31, 2021.

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The actual amounts and the annual caps of the historical transactions conducted under the Previous Engineering Construction Services Framework Agreement in respect of the two years and nine months ended September 30, 2020 are set out below:

	For the year ended		For the year ending
	31 December, 2018	31 December, 2019	31 December, 2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Approved annual cap	750,000,000	930,000,000	930,000,000
	For the year ended		For the nine months up to
	31 December, 2018	31 December, 2019	September 30, 2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Actual transaction amount	nil	337,238,000	42,819,423
Utilization rate	0%	36.3%	6.1% <i>(Note)</i>

Note: The utilization rate for the nine months up to September 30, 2020 represents a pro-rata illustrative rate which is calculated at dividing the nine months' actual transaction amount by the approved annual cap pro-rata for nine months during 2020.

The annual caps under the Previous Engineering Construction Services Framework Agreement are RMB750,000,000, RMB930,000,000 and RMB930,000,000 for the years ended December 31, 2018, 2019 and 2020, respectively. The historical utilization of the annual caps is nil, 36.3% and 6.1% (on a pro-rata basis) for the two years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, respectively. We understand that the Company projected the basis of the annual cap for the year ended December 31, 2018 based on the contract pipeline then on hand. The annual caps for the year ended December 31, 2019 and the year ending December 31, 2020 were estimated with reference to the annual cap for the year ended December 31, 2018.

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The Management has represented to us that it is the Group's intention to obtain as many profitable EPC contracts as possible. The historical annual caps have not been fully utilized due to the actual number and value of EPC contracts awarded to the Group which involved modularized construction services were lower than the Group had projected. The EPC business is largely project-based and such tendering environment is competitive. The actual outturn of the EPC contracts awarded to the Group depended on a number of factors many of which were beyond the Group's control. The historical annual caps were estimated based on the possible amount of transactions that may be conducted with Wison Marine Group and not the actual amount of contracts committed. Besides, the Wison Marine Group is not an exclusive contractor with which the Group subcontracts engineering construction services. Same as the New Engineering Construction Services Framework Agreement, the Group selects contractors for each particular project by way of tender. Wison Marine Group may or may not have been invited to submit a tender and/or selected in respect of certain projects.

The Management has provided us with a schedule of possible contracts which the Group is currently targeting. The schedule sets out the possible contract amount in respect of 11 EPC projects. We understand that these projects represent the Group's business targets and not actual awarded contracts. The Group may or may not be awarded all these projects whilst the schedule is not exhaustive.

Based on the information provided by the Company, we understand that the Proposed Annual Cap for the year ending December 31, 2021 is estimated with reference to the estimated total subcontract value of modularized construction services relating to five potential EPC projects which the Group is targeting and are expected to commence in 2021 (the "**Relevant Project(s)**"). The other six projects in the Company's schedule are expected to commence work after 2021 and has been ignored for the purpose of estimating the possible subcontracting amount for the year ending December 31, 2021.

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As explained by the Management, based on the specifications of each Relevant Project, the Company prepares a list of works required under each Relevant Project together with the estimated cost for such works. As set out in the section headed “2.2 *Reasons and benefits of entering into the New Engineering Construction Services Framework Agreement*” above, the Group needs to engage specialized contractors to undertake specific part of the construction works of the Group’s projects. Wison Marine Group comprises marine engineering contractors and equipment manufacturers specializing in servicing marine oil and natural gas exploration projects. Wison Marine Group is qualified to undertake marine, oil and gas equipment construction services which would satisfy stringent international and domestic safety and quality standards. Wison Marine Group is capable of providing construction services, especially modularized construction services. Based on the list of works required for each Relevant Project, the Group identified the construction works which need to be subcontracted and may be undertaken by Wison Marine Group, in particular the works relating to modularized construction and prefabrication services. The aggregate costs of such specific works that need to be subcontracted and may be undertaken by the Wison Marine Group form the basis of the Proposed Annual Cap for the year ending December 31, 2021.

The Proposed Annual Cap for the year ending December 31, 2021 has been determined based on the number of EPC projects commencing in 2021 which the Group is currently targeting to bid for, the Group’s estimation of the size of such projects and the estimated amount of the modularized construction services that may need to be outsourced. We concur with the Management’s view that it is in the interests of the Company and the Shareholders as a whole for the Group to be contracted for as many profitable projects as possible. Given the nature of large-scale engineering projects, we consider it fair and reasonable for the Company to estimate the Proposed Annual Cap for the year ending December 31, 2021 with reference to the Group’s target business pipeline.

The Proposed Annual Cap for each of the years ending December 31, 2022 and 2023 is estimated based on the Proposed Annual Cap for the year ending December 31, 2021, that being RMB1,750,000,000. We understand from the Management that the Group’s modularized pre-fabrication and engineering construction services business is largely project-based and such tendering environment is competitive. Whilst it is appropriate not to cast any adjustment factor to the Proposed Annual Caps in respect of the two years ending December 31, 2023, the Company determined that the Proposed Annual Caps for each of the three years ending December 31, 2023 should be consistently set at RMB1,750,000,000.

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The Company, in determining the Proposed Annual Caps, also considered the fact that the annual caps under the Previous Engineering Construction Services Framework Agreement were not fully utilized and the possible reasons as discussed above. Taking into account of (i) the possibility of Wison Marine Group members being selected as subcontractors for the EPC projects that the Group has successfully bid for or is bidding for; (ii) the five potential EPC projects that are expected to commence in 2021; and (iii) the benefits and continuous need for modularized construction services, the Directors (other than Ms. Rong Wei and Mr. Liu Hongjun who have abstained from voting) are of the view that the Proposed Annual Caps are fair and reasonable despite the failure to fully utilize the annual caps previously adopted.

We note that the actual amount of the continuing connected transactions carried out pursuant to the Previous Engineering Construction Services Framework Agreement was lower than the relevant annual caps. We concur with the Management's view to adopt the same maximum amount for each of the three years ending December 31, 2023. Given the aforesaid and taking into account the benefits and continuous need of modularized construction services and the possibility of Wison Marine Group members being selected to provide modularized construction services in respect of the Group's EPC projects, we consider that the Proposed Annual Caps for the years ending December 31, 2021, 2022 and 2023 are estimated on a fair and reasonable basis despite the low utilization rate of the annual caps under the Previous Engineering Construction Service Framework Agreement.

3. The Supplemental Agreement

3.1 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.

3.2 Reasons and benefits of entering into the Supplemental Agreement

The principal activity of the Group is the provision of chemical engineering, procurement and construction management services or "EPC" services. Wison Engineering is the principal subsidiary of the Company. 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 construction, engineering and related work contemplated under the Wison Taizhou EPC Contract.

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In view of the expertise and quality of Wison Engineering in the provision of the services contemplated and provided under the Wison Taizhou EPC Contract, the Additional Works and Costs (as defined in the Letter from the Board) and that the upward adjustment to the New Contract Price and the Receivable Limit and the Extension are negotiated after arm's length discussions and reflects normal commercial terms, the Company considers it desirable to enter into the Supplemental Agreement in its ordinary and usual course of business.

The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract was expected to be RMB447,880,000 which comprised several parts, for example, reimbursement of actual engineering costs to be incurred by Wison Engineering, design fees, project management fees, and remuneration. As the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract is subject to adjustment based on factors like actual engineering costs, incentive payment and any delay, the Company previously expected and announced that the possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract would not result in the final total receivable exceeding RMB537,500,000. Such threshold was previously estimated having considered the agreed scope of work and the estimated engineering costs then in view.

Furthermore, after taking into account of the updated volume and scope of work undertaken by Wison Engineering during the performance the Wison Taizhou EPC Contract, which include: (i) additional 21,000 metres of piling foundation, (ii) additional 33,000 square metres of floor deck, (iii) additional 69,000 square metres of the vertical heavy-duty flooring and gravel flooring, (iv) additional cost in renovating laboratory building, central control room and canteen, (v) additional cost in greening the area in front of the factory, parking lot and road engineering, (vi) increased volume of equipment, materials and steel structure engineering for certain works, (vii) increased volume of civil engineering installation of sewage treatment and (viii) additional cost in the civil engineering of 110KV substation, being the Additional Works and Costs, the parties agreed on the New Contract Price, the Receivable Limit and the Extension upon arm's length negotiation.

In relation to the Receivable Limit, as the final total amount payable to Wison Engineering by Wison Taizhou under Wison Taizhou EPC Contract (as amended and/or supplemented by the Supplemental Agreement) is subject to adjustment based on factors like actual engineering costs, incentive payment and any delay, the Company expected that any possible upward adjustment in the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract (as amended and/or supplemented by the Supplemental Agreement) would not result in the final total amount receivable exceeding the Receivable Limit.

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Having considered that EPC contracting is a principal business activity of the Group with a majority of the Group's revenue being contributed by such segment in the past 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 the Supplemental Agreement 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 Shareholders as a whole.

3.3 Principal terms of the Supplemental Agreement

Date

October 30, 2020

Parties

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

Subject matter

Wison Engineering and Wison Taizhou entered into the Supplemental Agreement to the Wison Taizhou EPC Contract under which the parties agreed to:

- (i) increase the total contract price payable by Wison Taizhou to the Wison Engineering to RMB714,301,800, being the New Contract Price, comprising:
 - (a) an increase in the engineering costs by RMB142,000,000;
 - (b) an increase in the design fees by RMB9,000,000;
 - (c) an increase in the project management fees by RMB8,750,000 (if the project finishes before or after May 31, 2021, being the temporary expected timeline of intermediate handover, the project management fees will be increased or reduced by RMB1,250,000 for every calendar month of delay or advance); and
 - (d) an increase in the remuneration by RMB17,071,800;
- (ii) amend the maximum amount for the final total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract from RMB537,500,000 to the Receivable Limit; and

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- (iii) temporarily extend the expected timeline of intermediate handover of certain works by Wison Engineering, the latest being to May 31, 2021 (the Extension).

3.4 Pricing basis of the Supplemental Agreement

The contract price under the Wison Taizhou EPC Contract comprises costs plus remuneration. The contract price represents the sum of four parts: engineering costs, design fees, project management fees, and remuneration as the EPC general contractor. The engineering costs 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. We understand from the Management that Wison Engineering and Wison Taizhou convene meetings and exchange project progress reports, including costs and expenses documents regularly to monitor/approve the actual engineering costs. Wison Taizhou is responsible to reimburse the actual engineering costs to Wison Engineering.

In addition, incentive payments may be receivable by Wison Engineering as a result of effective costs saving, efficient delivery of works and meeting work safety standards. The total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract was previously estimated based on the then estimated total contract price and the estimated contingent incentive payments. The total contract price payable by Wison Taizhou to Wison Engineering under the Wison Taizhou EPC Contract was previously estimated to be RMB447,880,000. The total amount of the contingent incentive payments was previously estimated to be no more than RMB6,400,000 and the total amount receivable by Wison Engineering under the Wison Taizhou EPC Contract was previously estimated to be RMB454,280,000, being the sum of RMB447,880,000 and RMB6,400,000.

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We understand from the Management that whilst the scope of work has been mutually agreed between Wison Engineering and Wison Taizhou at the time when the Wison Taizhou EPC Contract was entered into, the final total amount of work that will actually need to be carried out under this kind of significant engineering contracts usually may differ from the initial agreed plan. Pursuant to the Wison Taizhou EPC Contract, the parties may negotiate for an adjustment to the design fees if there is any material change to the scope or specification to 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 remuneration payable to Wison Engineering as the EPC general contractor is calculated with reference to the actual engineering costs incurred for the performance of the Wison Taizhou EPC Contract. Accordingly, any material increase of scope of work may increase the actual engineering costs to be incurred in relation to the Wison Taizhou EPC Contract which will in turn affect the amount of the design fees, project management fees and remuneration as the EPC general contractor (the “**Related Fees and Remuneration**”).

The Supplemental Agreement does not vary the existing terms and conditions of the Wison Taizhou EPC Contract save for the New Contract Price, the Receivable Limit and the Extension. Pursuant to the Wison Taizhou EPC Contract, the engineering costs are receivable by Wison Engineering on a reimbursement basis. We understand from the Management that it is in the ordinary and usual course of business of the Company to engage the customers in active and regular interactive communications to monitor, negotiate and fine tune various aspects of the Group’s contract works during the design, procurement and construction processes. The Additional Works and Costs are agreed after arm’s length negotiations between Wison Engineering and Wison Taizhou having regards to the latest updated scope of work. The final scope of work is subject to revisions as circumstances may require and may differ from the original agreed scope. The Extension reflects an expectation that more time is required to complete additional works and the revised scope of work involved in the Project. We consider it fair and reasonable for the parties to agree the Extension and an upward adjustment to the Related Fees and Remuneration when the Additional Works and Costs are expected to arise.

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We understand from the Management that the design fees represent the fees payable to Wison Engineering for providing design services, preparing the engineering design drawings and completion drawing and assigning representatives to provide design services and technical support on-site. The project management fees represent the costs and expenses to be incurred by Wison Engineering in managing the performance of the Wison Taizhou EPC Contract including remuneration of the project staff, subsidies, travel expenses, transportation expenses and office expenses. 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 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.

The Company has provided us with a breakdown of the Related Fees and Remuneration in respect of the New Contract Price. Following the Supplemental Agreement becoming effective and upon completion of the Project, the total estimated engineering costs will be increased to RMB609,020,000, the design fees will be increased to RMB21,720,000, the project management fees will be increased to RMB28,750,000, and the remuneration will be increased to RMB54,811,800 (representing 9% of the total estimated engineering costs of RMB609,020,000).

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We have reviewed a sample of five EPC contracts which the Group entered into with independent third parties between April 2019 to June 2020 and the corresponding project budget documents. These project budget documents show the internal budget control based on cross-departmental input regarding the estimated contract price, costs and expenses. An unaudited budget gross profit and margin is calculated. Two of these sample contracts are on reimbursement plus remuneration terms and three others are on an all-inclusive lump-sum contract price basis. We have compared the remuneration rate of the two reimbursement plus remuneration terms contracts and note that the 9% remuneration rate based on the New Contract Price approximates the high end of the two sample contracts. The all-inclusive lump-sum contract price contracts does not contain a separate remuneration amount or rate receivable by the Group and the Group counts on the net proceeds to contribute as its project remuneration. We have reviewed the corresponding project budget documents and note that the 9% remuneration rate based on the New Contract Price is close to the highest unaudited budget gross profit of the other three lump-sum contract price-based contracts. Based on our independent review of these samples and having considered that the Group's income will increase as a result from the increased design fees, project management fees and remuneration, we conclude that the Supplement Agreement are agreed on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Related Fees and Remuneration would increase (subject to negotiations) as the actual engineering costs increase whilst any incentive payments that may be receivable by Wison Engineering will depends on satisfaction of specific performance targets. As the New Contract Price will result in the Company earning higher fees and remuneration with reference to the New Contract Price upon completion of the Wison Taizhou EPC Contract (as amended by the Supplemental Agreement) and taking into account of the Receivable Limit provides an upward buffer of no more than 105% of the New Contract Price which is beneficial to the Company and the Extension allows additional time to intermediate handover of certain works by Wison Engineering, we consider it fair and reasonable for the parties to agree the Receivable Limit and the Extension.

Having considered that (i) the Supplemental Agreement and the Wison Taizhou EPC Contract falls within the principal business activities of the Group; (ii) the terms of price determination of the Supplemental Agreement are no less favourable than the terms of the EPC contracts entered between Wison Engineering and independent third parties; and (iii) the New Contract Price, the Receivable Limit and the Extension under the Supplemental Agreement are fair and reasonable, we are of the view that entering into the Supplemental Agreement is on normal and commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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VI. 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 New Engineering Construction Services Framework Agreement and the Supplemental Agreement and the basis to determine the Proposed Annual Caps;
- (ii) the entering into of the New Engineering Construction Services Framework Agreement and the Supplemental Agreement, and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and are on normal commercial terms or better to the Company;
- (iii) all the terms for the New Engineering Construction Services Framework Agreement, the Supplemental Agreement and the basis to determine the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned;
- (iv) the New Engineering Construction Services Framework Agreement and the Proposed Annual Caps would allow the Group to engage members of the Wison Marine Group to provide subcontracting construction services as long as their tender is superior to other tenders submitted by independent subcontractors which are in the interests of the Group and the Shareholders as a whole;
- (v) the entering into of the Supplemental Agreement and the transactions contemplated thereunder will enable the Group to capture both revenue and net profit which is in the interests of the Group and the Shareholders as a whole; and
- (vi) the provision of the transactions pursuant to the Supplemental Agreement is a furtherance and continuance of the Group's businesses.

Having considered the aforementioned factors and reasons, we are of the opinion that the New Engineering Construction Services Framework Agreement and the Supplemental Agreement, and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Furthermore, based on our analysis above, we consider that the basis to determine the Proposed Annual Cap under the New Engineering Construction Services Framework Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the New Engineering Construction Services Framework Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps; and (ii) the Supplemental Agreement 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 (the “**Model Code**”), were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares/Underlying Shares ⁽¹⁾	Approximate % of shareholding ⁽⁴⁾
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. Liu Hongjun	Beneficial owner	1,000,000 (L)	0.02%
Mr. Lawrence Lee	Beneficial owner	1,000,000 (L) ⁽⁵⁾	0.02%
Mr. Tang Shisheng	Beneficial owner	1,000,000 (L) ⁽⁵⁾	0.02%
Mr. Feng Guohua	Beneficial owner	1,000,000 (L) ⁽⁵⁾	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) As at the Latest Practicable Date, the Company had 4,073,767,800 issued Shares.
- (5) Shares in respect of options granted under the share option scheme of the Company.

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.

Ms. Liu Hongjun, an non-executive Director, is a director and president of Wison Holding. 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 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, 2019, 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 contained in this circular:

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

The Independent Financial Adviser 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.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company published on August 25, 2020, the Group recorded an unaudited profit of approximately RMB9.2 million for the six months ended June 30, 2020, representing a decrease of 20.3% from approximately RMB11.5 million recorded in the corresponding period in 2019. Such a decrease was mainly attributable to the worldwide outbreak of the novel coronavirus pandemic and the continuously tense geopolitical and global trade relations, which led to a global economic downturn, a weak demand for crude oil and chemical market at home and abroad and a decrease of new contract secured by the Group.

The Directors confirm that save as disclosed above, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since December 31, 2019, 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 (from the date of this circular to November 30, 2020), during normal business hours:

- (a) a copy of the New Engineering Construction Services Framework Agreement;
- (b) a copy of the Supplemental Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 19 to 20 of this circular;
- (d) the letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 45 of this circular;
- (e) the letter of consent referred to in the paragraph headed “6. Expert and Consent” in this Appendix; and
- (f) 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 November 30, 2020 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 resolutions:

ORDINARY RESOLUTIONS

“THAT:

1. (a) the New Engineering Construction Services Framework Agreement (as defined in the circular of the Company dated November 13, 2020 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the New Engineering Construction Services Framework Agreement marked “B” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder and the Proposed Annual Caps 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 New Engineering Construction Services Framework Agreement and the transactions contemplated thereunder.
2. (a) the Supplemental Agreement (as defined in the Circular), a copy of the Supplemental agreement marked “C” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose), and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (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 Supplemental Agreement and the transactions contemplated thereunder.”

By Order of the Board
Luk Wai Mei
Company Secretary

Hong Kong, November 13, 2020

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong*

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

Notes:

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.

NOTICE OF EGM

6. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from November 25, 2020 to November 30, 2020 (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 November 24, 2020.
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. Taking into account the recent development of the COVID-19 epidemic, the Company recommends its shareholders to **vote by filling in and submitting the proxy form**, i.e. indicate your voting intention and designate the chairman of the EGM as your proxy to vote on your behalf, instead of attending the EGM in person.

The Company will also implement the following precautionary measures at the EGM against the epidemic to protect the attendees from the risk of infection:

- i. **compulsory body temperature check** will be conducted for every attendee at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- ii. every attendee is required to **wear surgical facial mask throughout the meeting**; and
- iii. **no refreshment** will be served.

As at the date of this notice, the executive directors of the Company are Ms. Rong Wei, Mr. Zhou Hongliang, Mr. Dong Hua and Mr. Zheng Shifeng; the non-executive director 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.