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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
35% EQUITY INTERESTS IN
LEVIMA WISON (JIANGSU) ADVANCED MATERIALS CO. LTD.***

THE ACQUISITION

On 11 September 2024 (after trading hours), Wison Engineering (an indirect wholly-owned subsidiary of the Company) (as the purchaser) and Wison (China) Investment (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) (as the vendor) entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 35% equity interests in the Target Company at the consideration of RMB255,000,000 in cash.

Upon completion of the Acquisition, the Purchaser will be interested in 35% of the equity interests in the Target Company. The Target Company will not become a subsidiary of the Company as a result of the Acquisition and hence, the financial results of the Target Company will not be consolidated into those of the Group.

* For identification purpose only

LISTING RULES IMPLICATIONS

Wison Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.82% of the total issued share capital of the Company as at the date of this announcement. Hence, Wison Holding is a connected person of the Company. As the Vendor is an indirect wholly-owned subsidiary of Wison Holding, the Vendor is also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major and connected transaction of the Company under the Listing Rules, and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The EGM will be convened by the Company at which an ordinary resolution will be proposed to the Independent Shareholders to approve the Equity Transfer Agreement and the Acquisition. 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 date of this announcement, shall abstain from voting on the shareholders' resolution approving the Equity Transfer Agreement and the Acquisition at the EGM.

GENERAL

An Independent Board Committee of the Company comprising all independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been established to advise the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. No member of the Independent Board Committee has any material interest in the Acquisition.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

The EGM will be held to consider and approve, among other things, the ordinary resolution in respect of the Equity Transfer Agreement and the Acquisition. A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Acquisition; (ii) the recommendation from the Independent Board Committee in relation to the Equity Transfer Agreement and the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Equity Transfer Agreement and the Acquisition; (iv) a notice of convening the EGM; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders (where applicable) and published on the websites of the Stock Exchange and the Company on or before 4 October 2024.

The Acquisition is subject to the fulfillment of certain conditions precedent set out in the Equity Transfer Agreement, and may or may not proceed. If the Independent Shareholders' approval for the Equity Transfer Agreement and the Acquisition is not obtained at the EGM, the Acquisition will not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 11 September 2024 (after trading hours), Wison Engineering (an indirect wholly-owned subsidiary of the Company) (as the purchaser) and Wison (China) Investment (an indirect wholly-owned subsidiary of Wison Holding, a controlling shareholder of the Company) (as the vendor) entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 35% equity interests in the Target Company at the consideration of RMB255,000,000 in cash.

Upon completion of the Acquisition, the Purchaser will be interested in 35% of the equity interests in the Target Company. The Target Company will not become a subsidiary of the Company as a result of the Acquisition and hence, the financial results of the Target Company will not be consolidated into those of the Group.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

11 September 2024

Parties

- (i) Wison Engineering (as the purchaser); and
- (ii) Wison China Investment (as the vendor)

Assets to be Acquired

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 35% equity interests in the Target Company subject to the terms and conditions of the Equity Transfer Agreement.

Consideration

The consideration of the Acquisition is RMB255,000,000, which will be financed by the Group's internal resources.

Payment Terms

The consideration shall be paid by the Purchaser by cash to such bank account as designated by the Vendor in the following manner:

- (i) the first installment in the sum of RMB63,750,000 (representing 25% of the consideration) shall be paid within three months of the date of the Equity Transfer Agreement; and
- (ii) the second installment in the sum of RMB191,250,000 (representing the remaining 75% of the consideration) shall be paid within 18 months after the date of the Equity Transfer Agreement.

Conditions Precedent

The Equity Transfer Agreement shall take effect upon fulfilment of the following conditions:

1. the Equity Transfer Agreement having been duly executed by the Purchaser and the Vendor;

2. the Equity Transfer Agreement and the Acquisition having been approved by the board of directors of the Purchaser;
3. the Equity Transfer Agreement and the Acquisition having been considered and approved by the shareholders of the Target Company;
4. the Equity Transfer Agreement and the Acquisition having been approved by the relevant regulatory authorities;
5. the Company having complied with the relevant requirements under the Listing Rules in respect of the Equity Transfer Agreement and the Acquisition, including but not limited to reporting, announcement, and the Independent Shareholders' approval requirements; and
6. all representations and undertakings of the Target Company and the Vendor under the Equity Transfer Agreement having been true, accurate and complete.

Upon satisfaction of the conditions precedent, the Purchaser and the Vendor will complete the Acquisition on the Date of Completion, in which case each of the Vendor and the Purchaser shall use its best commercial effort to assist the Target Company in completing the filing and registration procedures, including but not limited to, industrial and business registration and taxation registration.

Transitional Period Arrangement

Prior to the Date of Completion, the Vendor continues to be a shareholder of the Target Company, who is entitled to the relevant shareholder's rights and assumes the corresponding shareholder's obligations. Upon the Date of Completion, the Purchaser will become a shareholder of the Target Company, and it shall be entitled to the relevant shareholder's rights and shall assume the corresponding shareholder's obligations. In other words, during the Transitional Period, the Vendor shall be responsible for the profit or loss of the Target Company in proportion to its equity interests in the Target Company.

Termination

The Equity Transfer Agreement will be terminated in any of the following circumstances:

1. the performance of the Equity Transfer Agreement is delayed or rendered impossible due to force majeure;
2. the Equity Transfer Agreement is terminated by mutual agreement between the Purchaser and the Vendor; or

3. without prejudice to other terms and conditions of the Equity Transfer Agreement, if, prior to the Date of Completion, the Purchaser or the Vendor is in possession of sufficient evidence to prove that any representations, warranties or undertakings given by the other party under the Equity Transfer Agreement are untrue, misleading, or have not been fulfilled, the non-defaulting party shall have the right to notify the defaulting party in writing, and the defaulting party shall unconditionally agree to terminate the Equity Transfer Agreement.

Completion

Completion of the Acquisition shall take place on or before the fifth business day after fulfilment of all the conditions precedents, or such other date as the Purchaser and the Vendor may mutually agree in writing.

Upon completion of the Acquisition, the Purchaser will be interested in 35% of the equity interests in the Target Company. The Target Company will not become a subsidiary of the Company as a result of the Acquisition and hence, the financial results of the Target Company will not be consolidated into those of the Group.

BASIS OF CONSIDERATION

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the appraised market value of the Target Company of RMB742,309,000 on the Valuation Benchmark Date, which was appraised by the Independent Valuer. The Board understands that, after considering all commonly adopted valuation approaches in the market (namely, market approach, income approach and asset-based approach), the asset-based valuation approach was finally adopted by the Independent Valuer for the valuation of the Target Company.

The principal business of the Target Company is manufacturing and sales of chemical products (excluding licensed chemicals), specific chemical products (excluding hazardous chemicals) and synthetic materials, provision of technologies services, development, consultation, exchange, transfer, promotion, marketing services, applications and new materials research and development. There are only a small number of comparable listed companies based on the selection criteria with sufficient public available information, but they are relatively different from the Target Company in terms of main products (being polyolefin elastomer (POE)), enterprise scale and business composition. As a result, the market valuation approach was not appropriate as the comparability requirement cannot be met.

The income valuation approach was not appropriate as it was difficult to objectively and reasonably predict the expected returns brought by the overall profitability of the Target Company, and it was challenging to qualitatively judge or roughly quantify the risks associated with the future income generation for the appraised entity, which failed to provide a basis for the estimation of long-term forecast.

As such, the asset-based approach was considered to be the most appropriate valuation approach, because the appraised value of the Target Company is determined based on its balance sheet, which is more capable of showing the real value of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In recent years, the Group has focused on the strategic plan of “driven by innovations”, the development and utilization of new technologies such as new materials constitute the major focus of its business development. The Acquisition will enable the Group to (1) better implement its strategy of “driven by innovations”, ensuring that the Group maintains its leading position in the face of fierce market competition; (2) the Target Company can serve as a demonstration base for the industrialization of high-end new materials for the Group in the future, which can incubate new cooperation and business opportunities; and (3) the Acquisition is expected to bring stable investment income to balance the cyclical fluctuations in traditional engineering business income of the Group.

The Board believes that the Acquisition will effectively expand the Group’s business operations relating to the new materials, achieve diversification, transformation and upgrading of business areas and inject new impetus into the Group’s long-term development. This will enhance the core competitiveness of the Group and fully promote high-quality profitability development.

The Directors (other than (i) the independent non-executive Directors who will be advised by the Independent Financial Adviser, and (ii) Mr. Liu Hongjun who is a director and president of Wison Holding and has abstained from voting) are of the view that the Equity Transfer Agreement was entered into in the ordinary and usual course of business of the Group after arm’s length negotiation between the parties, reflect normal commercial terms and the terms of the Acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 23 August 2023 and is principally engaged in manufacturing and sales of chemical products (excluding licensed chemicals), specific chemical products (excluding hazardous chemicals) and synthetic materials, provision of technologies services, development, consultation, exchange, transfer, promotion, marketing services, applications and new materials research and development. Its main product is polyolefin elastomer (POE).

As at the date of this announcement, the registered capital of the Target Company is RMB700,000,000, which is fully paid. It is held as to 35% and 65% by the Vendor and Levima Advanced Materials, respectively. To the best knowledge of the Company and after making reasonable enquiries, the initial investment of 35% equity interests of the Target Company by the Vendor was RMB245,000,000.

The unaudited net assets and total assets of the Target Company as at 30 June 2024 were RMB701,574,000 and RMB717,107,000, respectively. Based on the valuation on the Target Company conducted by the Independent Valuer, the appraised market value of the Target Company on the Valuation Benchmark Date was RMB742,309,000.

Set out below is the financial information of the Target Company:

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000 (unaudited)	Six months ended 30 June 2024 RMB'000 (unaudited)
Revenue	—	—
Net profit before tax	762	1,338
Net profit after tax	571	1,003

Upon completion of the Acquisition, the Purchaser and Levima Advanced Materials. will hold 35% and 65% equity interests in the Target Company, respectively. The Target Company will not become a subsidiary of the Company (but will be an associated company of the Group) as a result of the Acquisition and hence, the financial results of the Target Company will not be consolidated into those of the Group.

INFORMATION ON THE PARTIES

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

Wison (China) Investment (i.e. the Vendor) is an indirect wholly-owned subsidiary of Wison Holding. Wison (China) Investment is established in the PRC and is principally engaged in investment, provision of consultancy services and other services in relation to trading, import and export of equipment, materials and component.

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

Levima Advanced Materials is a supplier of high-end advanced material products and solutions and is listed on the Shenzhen Stock Exchange on 8 December 2020 (stock code: 003022.SZ). Legend Holdings Corporation is a controlling shareholder of Levima Advanced Materials. According to public information, Legend Holdings Corporation is indirectly interested in approximately 51.77% of the total issued share capital of Levima Advanced Materials as at 30 June 2024.

Legend Holdings Corporation is a company listed on the Stock Exchange (stock code: 03396.HK) and operates its business through two sectors, being industrial operations and industrial incubations and investments. Levima Advanced Materials is a member in industrial operations in Legend Holdings Corporation.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, save for the Vendor being a connected person of the Company, the other shareholder of the Target Company (i.e. Levima Advanced Materials) and its ultimate controlling shareholders are independent third parties of the Company and its connected persons.

LISTING RULES IMPLICATIONS

Wison Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.82% of the total issued share capital of the Company as at the date of this announcement. Hence, Wison Holding is a connected person of the Company. As the Vendor is an indirect wholly-owned subsidiary of Wison Holding, the Vendor is also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major and connected transaction of the Company under the Listing Rules, and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The EGM will be convened by the Company at which an ordinary resolution will be proposed to the Independent Shareholders to approve the Equity Transfer Agreement and the Acquisition. 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 date of this announcement, shall abstain from voting on the shareholders' resolution approving the Equity Transfer Agreement and the Acquisition at the EGM.

GENERAL

An Independent Board Committee of the Company comprising all independent non-executive Directors, namely Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua, has been established to advise the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. No member of the Independent Board Committee has any material interest in the Acquisition.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

The EGM will be held to consider and approve, among other things, the ordinary resolution in respect of the Equity Transfer Agreement and the Acquisition. A circular containing, among other things, (i) further details of the Equity Transfer Agreement and the Acquisition; (ii) the recommendation from the Independent Board Committee in relation to the Equity Transfer Agreement and the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Equity Transfer Agreement and the Acquisition; (iv) a notice of convening the EGM; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders (where applicable) and published on the websites of the Stock Exchange and the Company on or before 4 October 2024.

The Acquisition is subject to the fulfillment of certain conditions precedent set out in the Equity Transfer Agreement, and may or may not proceed. If the Independent Shareholders’ approval for the Equity Transfer Agreement and the Acquisition is not obtained at the EGM, the Acquisition will not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of 35% equity interests in the Target Company as contemplated under the Equity Transfer Agreement
“Board”	the board of directors of the Company
“business days”	any day (other than Saturday, Sunday, or public holiday) on which the banks in Hong Kong and the PRC are open for general commercial business
“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
“Date of Completion”	the date of completion of the Acquisition, being any day within five business days after all the conditions precedent have been fulfilled, or such other date as the Purchaser and the Vendor may mutually agree in writing
“Directors”	the directors of the Company

“EGM”	an extraordinary general meeting of the Company to be convened to seek the approval of the Independent Shareholders in respect of the Equity Transfer Agreement and the Acquisition
“EPC”	an acronym for engineering (E), procurement (P) and construction (C), a business model widely adopted in the international energy industry
“Equity Transfer Agreement”	the equity transfer agreement dated 11 September 2024 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors
“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 the Equity Transfer Agreement and the Acquisition. 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	all shareholders of the Company other than those with a material interest in the Equity Transfer Agreement and the Acquisition. For the avoidance of doubt, Independent Shareholders shall exclude Wison Engineering Investment Limited

“Independent Valuer”	Valplus Consulting Limited, an independent valuer
“Levima Advanced Materials”	Levima Advanced Materials Corporation (聯泓新材料科技股份有限公司), a company established in the PRC with limited liability and is listed on the Shenzhen Stock Exchange, and a shareholder of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Levima Wison (Jiangsu) Advanced Materials Co. Ltd.* (聯泓惠生(江蘇)新材料有限公司), a company established in the PRC with limited liability
“Transitional Period”	the period from the Valuation Benchmark Date to the Date of Completion
“Valuation Benchmark Date”	30 June 2024
“Wison (China) Investment” or “Vendor”	Wison (China) Holding Company (惠生(中國)投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Wison Holding
“Wison Engineering” or “Purchaser”	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 Group”	Wison Holding and its subsidiaries

“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

“%” per cent.

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

Hong Kong, 11 September 2024

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