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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)

UPDATES ON RECENT DEVELOPMENTS OF THE COMPANY AND CHANGE OF USE OF PROCEEDS

UPDATES ON RECENT DEVELOPMENTS OF THE COMPANY

Reference is made to the announcements of Wison Engineering Services Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated September 2, 2013, September 12, 2013 and September 18, 2013 (the “**Announcements**”).

The board of directors (the “**Board**”) of the Company wishes to update the shareholders of the Company and the market generally regarding recent developments of the Company.

The Company has not been able to obtain any information in relation to the investigations from the relevant PRC regulatory authorities and Mr. Hua Bangsong (“**Mr. Hua**”) remains uncontactable. The status of the investigation remains unknown to the Board in the absence of news from or concerning Mr. Hua.

The Group has been making every effort to maintain normal operations by engaging in on-going communications with the customers, suppliers and creditors and informing them the recent events and the development of an action plan by the Company.

The Group continues to conduct its business in the normal course and has successfully entered into a new procurement and construction contract for an estimated consideration of approximately US\$834 million with PDVSA Petróleo S.A. on September 12, 2013, as announced by the Company on October 15, 2013.

CHANGE OF USE OF PROCEEDS

The Company undertook a public offering and a listing of such shares on the main board of The Hong Kong Stock Exchange Limited on 28 December 2012. Reference is made to the prospectus (the “**Prospectus**”) of the Company dated December 13, 2012 in relation to the global offering of shares of the Company (the “**Global Offering**”), the announcement of the Company dated January 18, 2013 (the “**Over-allotment Option Announcement**”) and the interim report of the Company for the six months ended June 30, 2013 (the “**2013 Interim Report**”). As stated in the 2013 Interim Report, the net proceeds from the Global Offering attributable to the Company, after deduction of the underwriting commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$1,364.3 million (the “**Net Proceeds**”).

The Board has resolved to change the proposed use of the Net Proceeds as follows:

	Originally intended use of Net Proceeds as set out in the Prospectus (HK\$ million)	Revised intended use after reallocation of Net Proceeds (HK\$ million)
(A) Purposes as stated in the Prospectus		
Construction of a national research and development centre in Shanghai	445.5	445.5
Construction of an engineering, research and development centre in Beijing (“ Beijing R&D Center ”)	181.9 ⁽¹⁾	7.7
Research and development of proprietary technologies, including syngas-to-ethanol processes	502.1 ⁽²⁾	74.1
Expansion of engineering capability in selected cities in the PRC	133.6	129.9
Working capital and general corporate purposes	101.2 ⁽²⁾	136.4
(B) New purpose		
Repayment of bank loans	—	570.7
	<u>1,364.3</u>	<u>1,364.3</u>

Notes:

- (1) As stated in the Prospectus, as the Offer Price was finally determined at the low-end of the indicative Offer Price range set out in the Prospectus of HK\$2.79 per share of the Company, the net proceeds to be used for the construction of the engineering research and development center in Beijing was reduced from HK\$351.8 million to HK\$181.9 million, to reflect the reduction of net proceeds from the Global Offering.

- (2) As stated in the Prospectus and the Over-allotment Option Announcement, the additional net proceeds from the partial exercise of the Over-allotment Option (amounting to approximately HK\$174 million) was to be used to fund the research and development of proprietary technologies (as to 90%) as well as for working capital and general corporate purposes (as to 10%).

REASONS FOR CHANGE OF USE OF PROCEEDS

As disclosed in the Prospectus, the Company intends to use the Net Proceeds to further expand the scale and scope of its operations and its research and development capability in order to take advantage of the potential growth in demand for its solutions and strengthen its competitive edge and market position.

The Group will implement its expansion plans in stages to suit its business needs, and funds will be injected based on the timetable of the Group's expansion plans. Given that the timetable for the construction work of the Beijing R&D Center looks set to remain protracted, not least because of the time needed to obtain necessary approvals from relevant governmental authorities for the acquisition of the land, the Board is of the view that the Group would do better, in its present circumstances to reallocate the net proceeds for the construction of Beijing R&D Center (the revised amount of HK\$7.7 million represents the amount of net proceeds utilised for such purpose up to the date of this announcement). The Board is of the view that, with the internally generated cash flow of the Group's business, the Group will, in due course, have sufficient financial resources to meet the funding requirements of the construction of Beijing R&D Center at the appropriate time.

Further, the Group has been identifying investors for research and development projects relating to syngas-to-ethanol processes. In particular, Wison Engineering Ltd. ("**Wison Engineering**"), a non-wholly owned subsidiary of the Company indirectly owned as to 75% by the Company, entered into a consultancy agreement dated 5 July 2013 with two independent third party companies (collectively, the "**Investors**") for the research and development of syngas to glycols. The Investors have agreed to pay Wison Engineering a fixed sum of money for the design and consultation services provided by Wison Engineering in relation to this research and development project. In view of this, the Group's immediate funding requirements for the research and development of proprietary technologies have been reduced and the revised allocation of net proceeds for the research and development of proprietary technologies, as set out above, is already sufficient for such purpose. The remaining balance of the proceeds originally allocated to the research and development of proprietary technologies can, the Board believes, be re-allocated to other uses.

Considering the impact of the Company's involvement in recent regulatory investigations in the PRC and the fact that it is prompting the Company to discuss the Group's gearing levels with a view to deleveraging its position, the Board has taken the view that, as a priority, in stabilising the Company's present financial and operating circumstances, a sum of approximately HK\$570.7 million must prudently be earmarked for the potential repayment of bank loans. Moreover, a sum of approximately HK\$35.2 million will be earmarked for additional working capital, given the general uncertainties applicable to the freezing of the Company's bank accounts.

In view of the above, the Board considers that re-allocating the idle cash from the Net Proceeds which are not immediately applied, or no longer needed, for their originally designed purposes, to finance the Group's working capital needs and to deleverage the Company in a time of uncertainty, will facilitate the efficient use of the Group's financial resources and, is fair and reasonable and in the interests of the Company and its shareholders as a whole. Although certain changes to the use of proceeds have been identified, the Board is of the view that the business strategies of the Group, as disclosed in the Prospectus, can, and will, remain unchanged.

The Company will continue to negotiate with the Group's banks with the immediate aim of finalising a debt stabilisation programme. The Company will continue to make further announcements on any developments of the Company as and when necessary, and will, in any event, make regular general update announcements.

Trading in the shares of the Company on the Stock Exchange was halted with effect from 10:38 a.m. on Monday, September 2, 2013.

By Order of the Board
Wison Engineering Services Co. Ltd.
Liu Haijun
Executive Director

Hong Kong, November 1, 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Hua Bangsong, Mr. Liu Haijun, Mr. Zhou Hongliang and Mr. Cui Ying and the independent non-executive Directors are Mr. Liu Ji and Mr. Wu Jianmin.