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WISON ENGINEERING SERVICES CO. LTD.

惠生工程技術服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2236)

CONNECTED TRANSACTIONS

**PIPE AND STRUCTURAL STEEL FABRICATION WORK CONTRACT WITH
WISON OFFSHORE & MARINE AND WISON NANTONG
AND
MODULE, STICK-BUILT STEEL STRUCTURE AND
PIPING SPOOL FABRICATION CONTRACT WITH
WISON OFFSHORE & MARINE**

The Board announces that on May 11, 2018, Wison Petrochemicals on the one hand and Wison Offshore & Marine and Wison Nantong on the other entered into the Pipe and Structural Steel Fabrication Work Contract, pursuant to which Wison Petrochemicals engaged Wison Offshore & Marine and Wison Nantong to perform the pipe and structural steel fabrication work for a field erection of low density polyethylene (LDPE) outside battery limits (OSBL) equipment and piping installation project in Texas, United States for which Wison Petrochemicals is contracted by a third-party to perform part of the construction work. The total contract price under the Pipe and Structural Steel Fabrication Work Contract is US\$1,850,000.

On the same date, Wison Petrochemicals and Wison Offshore & Marine entered into the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, pursuant to which Wison Petrochemicals engaged Wison Offshore & Marine to perform the module, stick-built steel structure and piping spool fabrication work for an ethylene glycol plant in Texas, United States for which Wison Petrochemicals has been awarded a general construction contract by a third-party. The total contract price under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract is US\$26,000,000.

Wiscon Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.93% of the total issued share capital of the Company as at the date of this announcement. Hence, Wiscon Holding is a connected person of the Company. As Wiscon Offshore & Marine and Wiscon Nantong are indirect wholly-owned subsidiaries of Wiscon Holding, Wiscon Offshore & Marine and Wiscon Nantong are also connected persons of the Company. Accordingly, the transactions contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract are entered into between Wiscon Petrochemicals on the one hand and indirect wholly-owned subsidiaries of Wiscon Holding on the other, the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. Since at least one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the one-off transaction contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, on an aggregate basis, is above 0.1% but below 5%, the transactions contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules.

THE PIPE AND STRUCTURAL STEEL FABRICATION WORK CONTRACT

The Board announces that on May 11, 2018, Wiscon Petrochemicals on the one hand and Wiscon Offshore & Marine and Wiscon Nantong on the other entered into the Pipe and Structural Steel Fabrication Work Contract, pursuant to which Wiscon Petrochemicals engaged Wiscon Offshore & Marine and Wiscon Nantong to perform the pipe and structural steel fabrication work for a field erection of low density polyethylene (LDPE) outside battery limits (OSBL) equipment and piping installation project in Texas, United States for which Wiscon Petrochemicals is contracted by a third-party to perform part of the construction work.

Under the Pipe and Structural Steel Fabrication Work Contract, Wiscon Offshore & Marine and Wiscon Nantong shall provide engineering, procurement and shop fabrication services. For engineering services, Wiscon Offshore & Marine and Wiscon Nantong shall provide shop drawing engineering services for piping and steel structure; for procurement services, Wiscon Offshore & Marine and Wiscon Nantong shall provide piping, painting and steel structure materials; and for shop fabrication services, Wiscon Offshore & Marine and Wiscon Nantong shall provide piping and steel structure fabrication services and packing for shipment. Wiscon Offshore & Marine and Wiscon Nantong shall supply all skilled manpower, supervision, installed and consumable materials, tools and equipment, testing devices and warehousing and other resources necessary to perform their work under the Pipe and Structural Steel Fabrication Work Contract.

The total contract price under the Pipe and Structural Steel Fabrication Work Contract of US\$1,850,000 was determined with reference to the scope of work, the costs and expenses which may be required for the performance of the Pipe and Structural Steel Fabrication Work Contract, as well as market rates of similar services, and is inclusive of tax. The contract price may be adjusted based on the eventual work scope and costs and expenses if Wison Petrochemicals requests Wison Offshore & Marine and Wison Nantong to make any change, modification, addition to or deletion from the work scope under the Pipe and Structural Steel Fabrication Work Contract.

The total contract price of US\$1,850,000 shall be payable by Wison Petrochemicals to Wison Offshore & Marine and Wison Nantong by telegram transfer within 30 days against the invoices to be submitted by Wison Offshore & Marine and Wison Nantong according to the following payment schedule:

- (i) 5% of the total contract price (i.e. US\$92,500) upon completion of shop drawings;
- (ii) 15% of the total contract price (i.e. US\$277,500) upon the issue of the purchase order for the piping and steel structure bulk materials and the commencement of the steel structure fabrication;
- (iii) 15% of the total contract price (i.e. US\$277,500) upon delivery of the steel structure materials to the fabrication shop;
- (iv) 20% of the total contract price (US\$370,000) upon delivery of the piping materials to the fabrication shop;
- (v) 20% of the total contract price (i.e. US\$370,000) upon the loading on board of the first batch of the materials; and
- (vi) 25% of the total contract price (i.e. US\$462,500) upon the loading on board of the second batch of the material,

provided that Wison Petrochemicals shall retain 10% of each invoice amount as retention money. 50% of such retention money shall be paid by Wison Petrochemicals to Wison Offshore & Marine and Wison Nantong within 10 days from the acceptance date of the work performed by Wison Offshore & Marine and Wison Nantong under the Pipe and Structural Steel Fabrication Work Contract and the remaining 50% of such retention money shall be paid by Wison Petrochemicals to Wison Offshore & Marine and Wison Nantong within 10 days after the expiry of the guarantee period, being 12 months thereafter (which may be extended for a further 12 months for the repaired or replacement parts).

The work contemplated under the Pipe and Structural Steel Fabrication Work Contract is expected to be completed by July 15, 2018.

THE MODULE, STICK-BUILT STEEL STRUCTURE AND PIPING SPOOL FABRICATION CONTRACT

The Board further announces that on May 11, 2018, Wison Petrochemicals and Wison Offshore & Marine entered into the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, pursuant to which Wison Petrochemicals engaged Wison Offshore & Marine to perform the module, stick-built steel structure and piping spool fabrication work for an ethylene glycol plant in Texas, United States for which Wison Petrochemicals has been awarded a general construction contract by a third-party.

Under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, Wison Offshore & Marine shall provide material supply, fabrication and shop drawing services. For material supply services, Wison Offshore & Marine shall supply parts of the materials for the performance of the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract; for fabrication services, Wison Offshore & Marine shall fabricate and assemble the modules and stick-built steel materials and piping; for shop drawing services, Wison Offshore & Marine shall provide shop drawing services for the project. Wison Offshore & Marine shall supply all skilled manpower, supervision, installed and consumable materials, tools and equipment, testing devices and warehousing and other resources necessary to perform their work under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract.

The total contract price under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract of US\$26,000,000 (of which US\$6,500,000 is for the material supply services and US\$19,500,000 is for the fabrication and shop drawing services) was determined with reference to the scope of work, the costs and expenses which may be required for the performance of the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, as well as market rates of similar services, and is inclusive of tax. The contract price may be adjusted based on the eventual work scope and costs and expenses if Wison Petrochemicals requests Wison Offshore & Marine to make any change, modification, addition to or deletion from the work scope under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract.

The Board does not envisage any adjustment to the contract price of the Pipe and Structural Steel Fabrication Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, on an aggregate basis, to increase any of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules to 5% or above.

The total contract price of US\$26,000,000 shall be payable by Wison Petrochemicals to Wison Offshore & Marine by telegram transfer according to the following payment schedule:

- (i) advance payment: 10% of the total contract price (i.e. US\$2,600,000) shall be paid by Wison Petrochemicals to Wison Offshore & Marine as advance payment within 30 days after the date of the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract and Wison Petrochemicals' receipt and approval of the invoice from Wison Offshore & Marine;

- (ii) progress payment: Wison Offshore & Marine shall get monthly payments based on the measured progress of each month as approved by Wison Petrochemicals as well as the payment terms and amount specified in the purchase orders of the materials, within 30 days upon receipt and approval of the monthly progress report by Wison Petrochemicals. Advance payment shall be proportionately deducted from each monthly progress payment until it is fully repaid. Wison Petrochemicals shall retain 10% of each progress payment which is attributable to the fabrication services as retention money; and
- (iii) 50% of the retention money shall be paid by Wison Petrochemicals to Wison Offshore & Marine within 10 days from the acceptance date of the work performed by Wison Offshore & Marine under the Module, Stick-built Steel Structure and Piping Spool Fabrication Work Contract and the remaining 50% of the retention money shall be paid by Wison Petrochemicals to Wison Offshore & Marine within 10 days after the expiry of the guarantee period, being 12 months thereafter (which may be extended for a further 12 months for the repaired or replacement parts).

The work contemplated under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract is expected to be completed by January 14, 2019.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Wison Offshore & Marine is principally engaged in piping, steel structure and module fabrication. Wison Nantong is principally engaged in the manufacture and sale of engineering machinery and ancillary steel-structured products, and provision of engineering technology services. In view of Wison Offshore & Marine's and Wison Nantong's expertise in the provision of the services contemplated under the Pipe and Structural Steel Fabrication Work Contract and Wison Offshore & Marine's expertise in the provision of the services contemplated under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract and their familiarity with the business of Wison Petrochemicals' business, the Company considers it desirable for Wison Offshore & Marine and Wison Nantong to provide the services under the Pipe and Structural Steel Fabrication Work Contract and for Wison Offshore & Marine to provide the services under the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract.

As Ms. Rong Wei is a director and vice president of Wison Holding, Ms. Rong Wei has abstained from voting on the Board resolutions approving the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract.

The Directors (including independent non-executive Directors but excluding Ms. Rong Wei who has abstained from voting) are of the view that the Pipe and Structural Steel Fabrication Work Contract was entered into after arm's length negotiation between Wison Petrochemicals on the one hand and Wison Offshore & Marine and Wison Nantong on the other and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract was entered into after arm's length negotiation between Wison Petrochemicals and Wison Offshore & Marine, and in each case in the ordinary and usual course of business of the Group, reflect normal commercial terms and are in the interests of the Company and its shareholders as a whole, and the terms are fair and reasonable.

GENERAL INFORMATION

The Company is an investment holding company. The principal activity of the Group is the provision of chemical engineering, procurement and construction management, or EPC, services. The Group provides a broad range of integrated services spanning the project life cycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sale technical support. Wison Petrochemicals is an operating subsidiary of the Company for its operations in North America.

LISTING RULES IMPLICATIONS

Wison Holding is a controlling shareholder of the Company which is indirectly interested in approximately 75.93% of the total issued share capital of the Company as at the date of this announcement. Hence, Wison Holding is a connected person of the Company. As Wison Offshore & Marine and Wison Nantong are indirect wholly-owned subsidiaries of Wison Holding, Wison Offshore & Marine and Wison Nantong are also connected persons of the Company. Accordingly, the transactions contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Supply and Fabrication Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract are entered into between Wison Petrochemicals on the one hand and indirect wholly-owned subsidiaries of Wison Holding on the other, the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. Since at least one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the one-off transaction contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract, on an aggregate basis, is above 0.1% but below 5%, the transactions contemplated under the Pipe and Structural Steel Fabrication Work Contract and the Module, Stick-built Steel Structure and Piping Spool Fabrication Contract are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but is exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“ Board ”	the board of Directors of the Company
“ Company ”	Wison Engineering Services Co. Ltd. (惠生工程技術服務有限公司), an exempted company with limited liability incorporated in the Cayman Islands whose issued shares are listed on the Stock Exchange
“ Directors ”	the directors of the Company
“ Group ”	the Company and its subsidiaries
“ Listing Rules ”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“ Module, Stick-built Steel Structure and Piping Spool Fabrication Contract ”	the subcontract agreement dated May 11, 2018 and entered into between Wison Petrochemicals and Wison Offshore & Marine in relation to the module, stick-built steel structure and piping spool fabrication work for an ethylene glycol plant in Texas, United States for which Wison Petrochemicals has been awarded a general construction contract by a third-party
“ Pipe and Structural Steel Fabrication Work Contract ”	the subcontract agreement dated May 11, 2018 and entered into between Wison Petrochemicals on the one hand and Wison Offshore & Marine and Wison Nantong on the other in relation to the pipe and structural steel fabrication work for a field erection of low density polyethylene (LDPE) outside battery limits (OSBL) equipment and piping installation project in Texas, United States for which Wison Petrochemicals is contracted by a third-party to perform part of the construction work
“ 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
“ United States ”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“ US\$ ”	United States dollars, the lawful currency of the United States

“ 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 Nantong ”	Wison (Nantong) Heavy Industry Co., Ltd. (惠生 (南通) 重工有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of Wison Holding
“ Wison Offshore & Marine ”	Wison Offshore & Marine (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Wison Holding
“ Wison Petrochemicals ”	Wison Petrochemicals (NA), LLC, a company established in Texas, the United States with limited liability, and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Wison Engineering Services Co. Ltd.
Rong Wei
Executive Director and Chief Executive Officer

Hong Kong, May 11 2018

As at the date of this announcement, the executive Directors of the Company are Ms. Rong Wei, Mr. Zhou Hongliang, Mr. Li Zhiyong and Mr. Dong Hua; and the independent non-executive Directors are Mr. Lawrence Lee, Mr. Tang Shisheng and Mr. Feng Guohua.