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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**

**SERVICE AGREEMENT WITH WISON HOLDING**

The Board announces that on January 23, 2020, the Company entered into the Service Agreement with Wison Holding. Pursuant to the Service Agreement, the Group shall provide to Wison Group consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the current and proposed business operations of Wison Group, and Wison Group shall provide to the Group information technology services and legal and compliance services.

The term of the Service Agreement commences on January 23, 2020 and expires on December 31, 2022. The fees payable to the Group by Wison Group and the fees payable by the Group to Wison Group under the Service Agreement are determined based on the amount of time incurred by the qualified personnel assigned to provide the relevant services at hourly rates determined with reference to market rates for the remuneration of such qualified personnel, plus out-of-pocket expenses and general and administrative expenses actually incurred. The annual caps for the fees receivable by the Group from Wison Group under the Service Agreement are RMB30,000,000, RMB30,000,000 and RMB30,000,000 for the years ending December 31, 2020, 2021 and 2022, respectively. The annual caps for the fees payable by the Group to Wison Group under the Service Agreement are RMB18,000,000, RMB19,800,000 and RMB21,780,000 for the years ending December 31, 2020, 2021 and 2022, respectively.

## **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. Accordingly, the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated June 26, 2018, where the Company announced, amongst others, that Wison (China) Investment (an indirect subsidiary of Wison Holding) entered into the 2018 Technical Consulting Services Framework Agreement with Wison Engineering (an indirect wholly-owned subsidiary of the Company), pursuant to which the parties set forth the principal terms under which Wison Engineering shall provide technical consulting services to Wison (China) Investment for its projects for a term of three years from January 1, 2018.

Reference is also made to the 2019 Technical Services Framework Agreement dated May 28, 2019 and entered into between Wison Marine (an indirect subsidiary of Wison Holding) and Wison Engineering, pursuant to which Wison Engineering agreed to provide miscellaneous engineering design and technical services to Wison Marine in relation to production equipment, utility system and ancillary production system for a term of three years from May 28, 2019.

As each of the Service Agreement, the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement were entered into between the Company or its subsidiaries on the one hand and Wison Holding or its indirect subsidiaries on the other, and the nature of the transactions under these agreements are similar, the transactions contemplated under the Service Agreement shall be aggregated with the transactions contemplated under the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement for the purpose of calculating the applicable percentage ratios set out under Rule 14.07 of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps and/or the maximum amounts payable by (i) Wison Group under the Service Agreement, the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement, on an aggregate basis, and (ii) the Group under the Service Agreement, is above 0.1% but below 5%, the transactions contemplated under the Service Agreement are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated June 26, 2018, where the Company announced, amongst others, that Wison (China) Investment entered into the 2018 Technical Consulting Services Framework Agreement with Wison Engineering, pursuant to which the parties set forth the principal terms under which Wison Engineering shall provide technical consulting services to Wison (China) Investment for its projects for a term of three years from January 1, 2018.

Reference is also made to the 2019 Technical Services Framework Agreement dated May 28, 2019 entered into between Wison Marine and Wison Engineering, pursuant to which Wison Engineering agreed to provide miscellaneous engineering design and technical services to Wison Marine in relation to production equipment, utility system and ancillary production system for a term of three years from May 28, 2019.

## **THE SERVICE AGREEMENT**

The Board announces that on January 23, 2020, the Company entered into the Service Agreement with Wison Holding. The principal terms of the Service Agreement are summarized below:

**Date:** January 23, 2020

**Parties:** The Company  
Wison Holding

**Term:** Commencing from January 23, 2020 and expiring on December 31, 2022

**Scope of services:** The Group shall provide the following services to Wison Group:

- (i) consulting, marketing and new business development services in oil and gas and petrochemical areas in relation to the current and proposed business operations of the service recipient; and
- (ii) other advice and assistance to be provided by the Group as the parties agree.

Wison Group shall provide the following services to the Group to support its ordinary course of business:

- (i) information technology services including services relating to information security, hardware and software maintenance, technical support, training, software design, development and customized services, information technology consulting, provision, licensing and sub-licensing of software; and

- (ii) legal and compliance services including legal support for transactions, litigation related legal services, intellectual property applications and protection as well as compliance training.

**Fee:**

In respect of the services provided by the Group to Wison Group and the services provided by Wison Group to the Group, each of the Group and Wison Group will assign qualified personnel to provide the services and therefore the fees payable to each of them respectively will be determined with reference to the market rates of the remuneration for such qualified personnel. Specifically, the fees payable to either the Group or Wison Group will comprise of the following components:

- (i) **Service fees:** based on the amount of time incurred by the qualified personnel assigned to provide the relevant services under the respective agreements at hourly rates determined with reference to the experience and seniority of the relevant qualified personnel and market rates for the remuneration of qualified personnel in the regions where such services are provided. The Company shall check with at least two independent third parties such as recruitment agencies, IT consulting firms and law firms for its assessment of such market rates;
- (ii) **Out-of-pocket expenses:** based on the expenses actually incurred to accomplish the services; and
- (iii) **General and administrative expenses allocation:** based on the share of general and administrative expenses actually incurred, including but not limited to sharing of rental and other expenses based on the use of office space, office equipment and conference facilities.

The fee shall be payable quarterly in cash.

**Annual cap:**

The annual caps for the fees receivable by the Group from Wison Group are RMB30,000,000, RMB30,000,000 and RMB30,000,000 for the three years ending December 31, 2020, 2021 and 2022, respectively.

The annual caps for the fees payable by the Group to Wison Group are RMB18,000,000, RMB19,800,000 and RMB21,780,000 for the three years ending December 31, 2020, 2021 and 2022, respectively.

The above annual caps are determined with reference to the expected nature and volume of services taking into account the current and proposed business operations of the key subsidiaries of Wison Holding and the increasing need of information technology services and legal and compliance services of the Group, the man hours and profile of qualified personnel required for the provision of services, the expected increase in the market hourly rates of qualified personnel, as well as an estimate of the amounts of out-of-pocket expenses and allocation of general and administration expenses.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SERVICE AGREEMENT**

One of the Group's businesses is the provision of engineering, procurement and construction management services. Wison Group has an information technology team and a legal and compliance team where the Group has in the past utilized some of their services in a small scale. In view of (i) the expertise of the Group in the provision of the services contemplated under the Service Agreement and its familiarity with the businesses of Wison Group, (ii) the efficiency and economies of scale which can be derived by the Group by utilizing the information technology services and legal and compliance services of Wison Group given its familiarity with the internal information technology set up of the Group and the Group's legal and compliance requirements and (iii) the fees receivable by the Group from Wison Group and the fees payable by the Group to Wison Group under the Service Agreement are negotiated after arm's length discussions and reflect normal commercial terms, the Company considers it desirable to enter into the Service Agreement in its ordinary course of business.

As Ms. Rong Wei is a director and vice president of Wison Holding, Ms. Rong Wei has abstained from voting on the Board resolution approving the Service Agreement and the proposed annual caps.

The Directors (including independent non-executive Directors but excluding Ms. Rong Wei who has abstained from voting) are of the view that the Service Agreement was entered into after arm's length negotiation between the parties, and in the ordinary and usual course of business of the Group, reflect normal commercial terms and the terms as well as the proposed annual caps for the transactions thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **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.

Wisou Holding is the Company's holding company and is an investment holding company. The principal activity of Wisou Group is the provision of engineering services, offshore and marine engineering and new chemical materials. The business of Wisou Group covers storage and utilization of resources such as coal, oil and natural gas, onshore energy engineering services, manufacture of marine engineering equipment and development of new downstream chemical materials.

## LISTING RULES IMPLICATIONS AND ANNUAL CAP

Wisou 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, Wisou Holding is a connected person of the Company. Accordingly, the transactions contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the Service Agreement, the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement were entered into between the Company or its subsidiaries on the one hand and Wisou Holding or its indirect subsidiaries on the other, and the nature of the transactions under these agreements are similar, the transactions contemplated under the Service Agreement shall be aggregated with the transactions contemplated under the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement for the purpose of calculating the applicable percentage ratios set out under Rule 14.07 of the Listing Rules. The annual caps or the expected maximum amounts payable under these agreements for the years ending December 31, 2020, 2021 and 2022 (as applicable) are as follows:

	<b>For the Year Ending December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Service Agreement — fees payable by Wisou Group to the Group	RMB30,000,000	RMB30,000,000	RMB30,000,000
2019 Technical Services Framework Agreement	RMB1,000,000	RMB1,000,000	RMB1,000,000
2018 Technical Consulting Services Framework Agreement	<u>RMB30,000,000</u>	<u>Not applicable</u>	<u>Not applicable</u>
	<b><u>RMB61,000,000</u></b>	<b><u>RMB31,000,000</u></b>	<b><u>RMB31,000,000</u></b>
Service Agreement — fees payable by the Group to Wisou Group	<b>RMB18,000,000</b>	<b>RMB19,800,000</b>	<b>RMB21,780,000</b>

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps and/or the maximum amounts payable by (i) Wison Group under the Service Agreement, the 2019 Technical Services Framework Agreement and the 2018 Technical Consulting Services Framework Agreement, on an aggregate basis, and (ii) the Group under the Service Agreement, is above 0.1% but below 5%, the transactions contemplated under the Service Agreement are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but are 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:

<b>“2018 Technical Consulting Services Framework Agreement”</b>	the technical consulting services framework agreement dated June 26, 2018 and entered into between Wison (China) Investment and Wison Engineering
<b>“2019 Technical Services Framework Agreement”</b>	the technical services framework agreement dated May 28, 2019 and entered into between Wison Engineering and Wison Marine
<b>“Board”</b>	the board of Directors of the Company
<b>“Company”</b>	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
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“PRC”</b>	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
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Service Agreement”</b>	the service agreement dated January 23, 2020 and entered into between the Company and Wison Holding
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

“US\$”	United States dollars, the lawful currency of the United States of America
“Wisom (China) Investment”	Wisom (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 subsidiary of Wisom Holding
“Wisom Engineering”	Wisom 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
“Wisom Group”	Wisom Holding and its subsidiaries
“Wisom Holding”	Wisom 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
“Wisom Marine”	Shanghai Wisom Offshore & Marine Co., Ltd. (上海惠生海洋工程有限公司), a company established in the PRC with limited liability, and an indirect subsidiary of Wisom Holding
“%”	per cent.

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

Hong Kong, January 23, 2020

*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.*