

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CMIC Ocean En-Tech Holding Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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CMIC Ocean En-Tech Holding Co., Ltd. 華商國際海洋能源科技控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 206)

(1) CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY AND PURCHASE AGREEMENT AND (2) 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

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 17 of this circular.

A notice convening the EGM of the Company to be held at the Company's principal place of business in Hong Kong at Units 2706-2709, 27/F, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 31 December 2020 at 10:00 a.m. or any adjournment thereof is set out on pages 47 to 49 of this circular. A form of proxy for use at the EGM of the Company or any adjournment thereof is enclosed.

Whether or not you propose 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 branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on 29 December 2020) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In accordance with health advice recommended by the Centre for Health Protection, for general meetings must be held, please refer to Notice of EGM (page 49) for precautionary measures being taken to prevent and control the spread of the novel coronavirus pneumonia (COVID-19) at the EGM, including:

- (i) mandatory body temperature screening at the entrance of the venue for each attendee. Any person with a body temperature over 37.5°C shall not be permitted to enter the venue;
- (ii) use of a surgical face mask for each attendee;
- (iii) no distribution of corporate souvenirs/gifts or refreshments;
- (iv) appropriate distancing and spacing between seats; and
- (v) other measures may be required by governmental bodies.

Any attendee who does not comply with the precautionary measures or is subject to quarantine, with any flu-like symptoms, who has had close contact with any person under quarantine, or has travelled overseas within 14 days immediately before the EGM shall not be permitted to enter the venue. All shareholders are strongly encouraged to appoint the chairman of the meeting as their meeting proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person and contacting the Investor Relations Department of the Company for questions to management.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 November 2020 in relation to the Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CM Group”	China Merchants Group Limited* (招商局集團有限公司), a company incorporated in the PRC with limited liability. It is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CM Industry”	China Merchants Industry Holdings Co., Ltd., a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of CM Group
“CM Industry Group”	CM Industry and its subsidiaries, other than the Group
“Commencement Date”	the date of which the conditions precedent under the Master Agreement are fulfilled
“Company”	CMIC Ocean En-Tech Holding Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 206)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held on 31 December 2020, and if thought fit, to approve the Master Agreement and each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder
“Fund LP”	China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.), which is interested in 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company) as at the Latest Practicable Date and therefore is a controlling shareholder of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors formed to consider the terms of the Master Agreement, the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps)
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement, the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps)
“Independent Shareholders”	Shareholders other than CM Industry and its associates
“independent third party(ies)”	a person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company
“Latest Practicable Date”	11 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master supply and purchase agreement entered into between the Company and CM Industry on 5 November 2020 in relation to the Transactions
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Products”	equipment used on offshore platforms including power control package, jacking system, BOP handling and transport, burner boom, and project(s) or others related to offshore platforms including cantilever and drill floor projects; rack material cutting projects; other material processing projects; and design, engineering and consulting service projects etc.
“Products Annual Caps”	the maximum amount payable from CM Industry to the Company for the sales of the Products for each of the period/year ending 31 December 2020, 31 December 2021 and 31 December 2022 under the Master Agreement
“Products Sales”	the sale of the Products (together with installation and ancillary services) by the Group to the CM Industry Group as contemplated under the Master Agreement
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structural Parts Annual Caps”	the maximum amount payable from the Company to CM Industry for the purchase of structural parts and other components for each of the period/year ending 31 December 2020, 31 December 2021 and 31 December 2022 under the Master Agreement
“Structural Parts Procurement”	the purchase of structural parts and other components by the Group from the CM Industry Group as contemplated under the Master Agreement
“Transactions”	the Products Sales and the Structural Parts Procurement
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



CMIC Ocean En-Tech Holding Co., Ltd. **華商國際海洋能源科技控股有限公司**

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 206)

Executive Directors:

Mr. Cong Yongjian
Mr. Jiang Bing Hua
Mr. Zhang Menggui, Morgan

Non-executive Directors:

Mr. Lou Dongyang (*Chairman*)
Mr. Wang Jianzhong
Ms. Fu Rui
Mr. Qian Zewei

Independent non-executive Directors:

Mr. Chan Ngai Sang, Kenny
Mr. Zou Zhendong
Mr. Chen Weidong
Mr. Sun Dongchang

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Units 2706-2709
27/F, One Harbourfront
18 Tak Fung Street
Hunghom, Kowloon
Hong Kong

15 December 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
MASTER SUPPLY AND PURCHASE AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Master Agreement and the Transactions contemplated thereunder.

LETTER FROM THE BOARD

The primary purpose of this circular is to provide you with, among other matters, (1) particulars of the Transactions contemplated under the Master Agreement; (2) a notice of the EGM; (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (4) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (5) other information concerning the Company as required under the Listing Rules.

THE MASTER AGREEMENT

On 5 November 2020, the Company entered into the Master Agreement with CM Industry, pursuant to which the Group will purchase structural parts and other components from and sell Products (together with installation and ancillary services) to the CM Industry Group, effective from the Commencement Date to 31 December 2022.

Particulars of the Master Agreement are set out as follows:

Date:	:	5 November 2020
Effective period	:	From the Commencement Date to 31 December 2022 (both days inclusive), terminable by either Party (as defined below) giving to the other not less than two (2) months' prior written notice.
Parties	:	1. the Company 2. CM Industry (each a "Party" and collectively, the "Parties")
Condition precedent	:	The relevant obligations under the Master Agreement is conditional upon the approval by the Independent Shareholders of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) at the EGM as required by the Listing Rules.
Nature of transaction	:	Pursuant to the Master Agreement, the Company (on behalf of itself and its subsidiaries) agrees to sell and CM Industry (on behalf of itself and its subsidiaries) agrees to purchase the Products (together with installation and ancillary services) on a non-exclusive basis.

LETTER FROM THE BOARD

Pursuant to the Master Agreement, CM Industry (on behalf of itself and its subsidiaries) agrees to sell structural part and other components and the Company (on behalf of itself and its subsidiaries) agrees to purchase structural part and other components on a non-exclusive basis.

It was agreed that each agreement for the sale and purchase of Products (together with installation and ancillary services) and/or structural parts and other components will be entered into and be performed separately by the respective subsidiaries of the Company and CM Industry under separate contracts, on terms to be mutually agreed in accordance with the terms and conditions of the Master Agreement.

Pricing principles

: Pursuant to the terms of the Master Agreement, the Transactions shall be conducted on normal commercial terms, in particular: (i) the Transactions will be on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties based on its trading database, market information and internal control measures; (ii) the Transactions will be conducted in the ordinary and usual course of business of the Company and after arm's length negotiations; and (iii) the Transactions will not exceed the Products Annual Caps and the Structural Parts Annual Caps (as the case may be) for the period from the Commencement Date to 31 December 2022.

LETTER FROM THE BOARD

Products

The prices of the Products (together with installation and ancillary services) to be sold by the Group to the CM Industry Group shall be determined by reference to (and in any event no less favourable to) the prices of relevant comparable products (together with installation and ancillary services) in the trading database of the Group of similar quality, type and quantity adopted by the Group from time to time and generally applicable to all independent third parties on arm's length and normal commercial terms.

The Products mainly consist of a diverse array of more than 40 types of customized equipment together with services and miscellaneous standard parts to be used on different types of offshore platforms. The indicative prices per standardised Product to be sold by the Group to the CM Industry Group are expected to range from below US\$10 to approximately US\$150,000.

(i) *When there are transaction records of comparable products in the trading database*

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the prices of Products (together with installation and ancillary services) offered by the Group to the CM Industry Group with at least two recent transaction records of comparable products (together with installation and ancillary services) offered generally to independent third parties in the trading database of the Group before entering into individual contracts pursuant to the Master Agreement.

LETTER FROM THE BOARD

- (ii) *For Products manufactured with specific specifications in respect of which there are no transaction records of comparable products in the trading database*

The prices of such Products will be determined with reference to estimates of the Group's costs of production plus a profit margin, which shall be no less favourable than the profit margin estimated to be enjoyed by other suppliers in the market of comparable products. Such profit margin estimates will be calculated with reference to the quoted selling price of comparable products of other suppliers in the market, under the assumption that the costs of production of other suppliers in the market would not differ materially from those of the Group. The indicative gross profit margins for Products manufactured with specific specifications to be sold by the Group to the CM Industry Group are expected to range from approximately 10% to 30%. Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the profits margins of the Group in respect of the Products and the profit margin estimates of other suppliers in the market for comparable products before entering into individual contracts pursuant to the Master Agreement.

In the event that (1) the prices of Products (together with installation and ancillary services) available to the CM Industry Group from the Group are less favourable to the Group than those offered by the Group to independent third parties for comparable products (together with installation and ancillary services) of similar quality, type and quantity in the trading database of the Group, or (2) the profit margin enjoyed by the Group for Products in respect of which there are no transaction records of comparable products in the trading database is less favourable than the profit margin estimated to be enjoyed by other suppliers in the market, the Group will not enter into such transactions.

The Group will at its best effort further negotiate with the CM Industry Group for more favourable terms in order to comply with the pricing principles of the Company disclosed above.

LETTER FROM THE BOARD

Structural parts and other components

The prices of the structural parts and other components purchased by the Group from the CM Industry Group shall be no less favourable to the prevailing market prices of comparable structural parts and other components of similar type, quantity and quality. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations offered by independent third parties for comparable structural parts and other components.

The following bidding process is to be adopted by the Company to ensure that the prices and terms in relation to structural parts and other components offered by the CM Industry Group are no less favourable to those offered by independent third parties for comparable structural parts and other components:

- The Company will obtain at least three price quotations for structural parts and other components of similar type, quantity and quality from qualified suppliers. A supplier is classified as a qualified supplier if it meets the criteria set out in the procurement and payment internal control manual adopted by the Group in 2018, under which, the eligibility of suppliers are assessed with reference to an array of factors, including but not limited to prices, timeliness of delivery, payment terms, quality of products and/or services, capabilities and operational track records. The procurement department of the Group assesses the eligibility of suppliers against these criteria by reviewing the relevant corporate, tax, licensing and credit materials provided by relevant suppliers, with the assistance of other departments such as the production, finance, project management and technology departments. The Group generally carries out reviews of qualified suppliers on a yearly basis with reference to the certified quality control manual of the Group so as to ensure that the products/services of the Group would be able to meet international standard and/or industry standard. A majority of qualified suppliers are independent third parties.

LETTER FROM THE BOARD

When assessing whether the prices or terms offered by the CM Industry Group are no less favourable compared to those offered by independent third parties, the Company will make reference to the following factors: (1) the prices of comparable structural parts and other components provided by three independent third parties; and (2) other major terms under the separate agreement to be entered into between members of the Group and members of the CM Industry Group for the Structural Parts Procurement, including but not limited to timeliness of delivery, payment terms, quality of products services, capabilities and operational track records.

Upon obtaining the quotations, the procurement department, technical department and project management department of the Group will jointly assess the quotations based on the factors set out above. On the assumption that the other major terms offered are substantially similar, the quotation having the lowest price will generally be selected by the Group.

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the prices and terms in respect of structural parts and other components offered by the CM Industry Group to the Group with at least three price quotations offered by independent third party suppliers for comparable structural parts and other components of similar quality, type and quantity before entering into individual contracts pursuant to the Master Agreement.

In the event that the prices or terms in respect of structural parts and other components available to the Group from the CM Industry Group are less favourable to the Group than the price quotations offered by independent third parties for comparable structural parts and other components of similar quality, type and quantity, the Group will not enter into such transactions.

The Group will at its best effort further negotiate with the CM Industry Group for more favourable terms in order to comply with the pricing principles of the Company disclosed above.

LETTER FROM THE BOARD

Annual Caps

The annual caps under the Master Agreement for each of the period/year ending 31 December 2020, 2021 and 2022 are set out as follows:

	For the period/year ending 31 December		
	2020 (US\$)	2021 (US\$)	2022 (US\$)
Products Annual Caps	40 million	100 million	100 million
Structural Parts Annual Caps	5 million	16 million	16 million

Reference is made to the Announcement, taking into consideration of the actual condition, the projected transaction amounts for the Products Sales and/or Structural Parts Procurement, and the remaining duration of the year ending 31 December 2020, the Company has decided to change the Products Annual Cap and Structural Parts Annual Cap for the year ending 31 December 2020 to US\$40 million and US\$5 million, respectively. For more details on the basis of the caps, please refer to the sub-section headed “The Master Agreement – Basis of the Annual Caps” in this circular.

Shareholders and potential investors of the Company should note that the above proposed annual caps are not intended, and do not purport, to be an indication of the Group’s future performance or profitability. Shareholders or potential investors of the Company should not rely on the proposed annual caps in deciding how or whether or not to deal in the Shares.

Historical transaction amounts

The annual transaction amounts for the period from 1 January 2020 to the date of the Announcement and each of the years ended 31 December 2018 and 2019 are set out as follows:

	For the year ended 31 December 2018 (US\$)	For the year ended 31 December 2019 (US\$)	From 1 January 2020 to the date of the Announcement (US\$)
Transaction amounts for sale of			
Products (together with installation and ancillary services)	–	0.93 million	–
Transaction amounts for purchase of			
structural parts and other components	–	–	–

LETTER FROM THE BOARD

Basis of the Annual Caps

The Products Annual Caps were determined by the Company after taking into account of:

- (i) The general condition of the offshore wind power market:

The Company observed a trend in the development of offshore wind power installation platforms and expects that the CM Industry Group will develop four to five of such platforms on a yearly basis. The Company understands that shipyards of CM Industry have commenced the construction of wind power installation platforms and the Company has been shortlisted as a qualified supplier for heavy lift cranes and jacking systems. The Company expects to sell such Products to CM Industry for installation on its wind power installation platforms and hence, the demand from CM Industry Group in the high quality Products is expected to increase from the Commencement Date to 31 December 2022.

- (ii) The estimated demand for the Products (together with installation and ancillary services) by the CM Industry Group from the Commencement Date to 31 December 2022 and the historical supply of the individual products in relation to the Products to independent third party customers:

The Company has mainly taken into account the intended demand of 1, 3 and 3 shipsets of jacking systems and heavy lift cranes for wind power installation platform for the years ending 31 December 2020, 2021 and 2022, respectively. Taking into consideration that CM Industry is expected to secure an order for an offshore wind power installation platform, the Company understands that it is the intention of the Group and CM Industry Group to enter into a sales contract by the end of December 2020 for one shipset of jacking system and heavy lift crane. The Company had also considered the historical transaction amount of individual products for other types of platforms in relation to the Products sold to other independent third party customers in projecting the aggregate sales of Products (together with installation and ancillary services) to the CM Industry Group.

- (iii) The expected selling prices of the Products (together with installation and ancillary services) from the Commencement Date to 31 December 2022:

In determining the expected selling prices of the Products (together with installation and ancillary services), the Company had made reference to the specifications of Products required by CM Industry Group, the prices of such Products in the trading database of the Company and relevant market prices of such Products. It is estimated that the selling price of each set of heavy lift crane and jacking system will in aggregate be approximately RMB85 million to RMB120 million and RMB90 to RMB120 million, respectively.

LETTER FROM THE BOARD

The Structural Parts Annual Caps were determined by the Company after taking into account of:

- (i) the estimated demand for structural parts and other components by the Group from the Commencement Date to 31 December 2022:

The Company had considered the intended demand of 1, 3 and 3 heavy lift cranes from the CM Industry Group during the years ending 31 December 2020, 2021 and 2022 and an estimation for a range of 1,300 to 2400 tons of structural parts and other components required in the manufacturing process of each heavy lift crane designed by the Company. The estimated purchase price of the structural parts and other components required for a heavy lift crane is expected to be approximately RMB26 million to RMB48 million.

- (ii) the expected purchase price of structural parts and other components based on estimations with reference to the market prices;

- (iii) the estimated buffer of 10% for fluctuation of market prices and change in specifications:

A buffer of 10% is built in to afford the Group with flexibility to cater for fluctuation of market prices and unexpected change in the specifications of the heavy lift cranes which would require additional structural parts and other components.

INFORMATION OF THE PRODUCTS AND STRUCTURAL PARTS AND OTHER COMPONENTS

Information on the Products

A wide variety of Products are to be sold on a non-exclusively basis under separate agreements entered into between members of the Group and members of the CM Industry Group pursuant to the Master Agreement, including power control package, jacking system, BOP handling and transport, burner boom, and project(s) or others related to offshore platforms including cantilever and drill floor projects; rack material cutting projects; other material processing projects; and design, engineering and consulting service projects etc. The proceeds from the Product Sales will constitute operating revenue of the Group.

Information on structural parts and other components

Structural parts and other components are to be used in the manufacturing process of heavy lift cranes. The Company expects that the structural parts and other components to be procured from CM Industry by the Group generally represent steel structural parts and other components.

INFORMATION ON THE PARTIES

The Company was incorporated in the Cayman Islands with limited liabilities. The Group is principally engaged in the business of designing and manufacturing of rig equipment, manufacture and trading of oilfield expendables and offshore rig construction and services.

CM Industry is a limited liability company incorporated in Hong Kong. The CM Industry Group is principally engaged in five aspects of business including repairs & conversion, marine & offshore equipment newbuilding, specialized shipbuilding, cruise shipbuilding, new materials and special equipment. It is ultimately wholly-owned by CM Group.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As mentioned in the sub-section headed “The Master Agreement – Pricing principles” of this circular, the Transactions will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Agreement will be negotiated on an arm’s length basis and be conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

The Directors expect that the Transactions will promote cooperation between both parties in the future. On the one hand, the high-end offshore engineering equipment manufactured by the Group has the proprietary intellectual property rights in the PRC, and it can cooperate with CM Industry to break through in the procurement of key materials by reducing the reliance on imported equipment. On the other hand, by cooperating with CM Industry, the Group will be able to apply its products to more fields, enhance its market share and influence and strengthen cooperation between enterprises, achieving a win-win situation for both parties. At the same time, such connected transactions will expand the operational revenue, increase liquidity, reduce transaction costs effectively and increase net profit of the Group, thereby improving the performance of the Company during the countercyclical period of oil and gas industry, which is in line with the Company’s long-term strategy to become a cost-competitive provider of integrated solutions for oil and gas drilling industry.

In view of the above, the Directors (including the independent non-executive Directors whose views are set out in the letter from Independent Board Committee in this circular) believe that the terms of the Master Agreement (including the annual caps) are fair and reasonable, and the Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following guidelines and principles for monitoring the Transactions between the Group and the CM Industry Group.

Under such internal control measures, the Group maintains a trading database containing historical selling prices of its Products (together with installation and ancillary services) and relevant terms and conditions of such transactions. The information in the trading database is obtained in the course of the Group’s operations and from the Group’s internal sources (including information in respect of transactions entered into by different divisions/departments of the Group). The Company will continue to develop and maintain the trading database so as to include pricing information in relation to Products sold by the Group in the future. Designated personnel of the sales department of the Group are responsible for the maintenance of the trading database, and the trading database is generally updated on an instantaneous (or as soon as practicable) basis after the materialisation or consummation of a sales transaction. A supervising vice president of the Group is designated to monitor and supervise the maintenance of the trading database to ensure that up-to-date records of the selling terms, prices and transaction records for products sold by the Group are properly kept. The Company will also conduct random checks on the trading database so as to ensure that an effective and sound internal control measure is in place so that the Products Sales are conducted on a fair and reasonable basis. The procurement department of the Group will also obtain relevant market information and/or price quotations offered by independent third parties for comparable structural parts and other components in accordance with the procedures set out in the sub-section headed “The Master Agreement – Pricing principles – Structural parts and other components” in this circular.

LETTER FROM THE BOARD

The relevant business units and departments of Group will monitor and review the prices and terms in respect of the relevant Products (together with installation and ancillary services) offered to or structural parts and components acquired from the CM Industry Group regularly in order to ensure that the Transactions are conducted on normal commercial terms, in accordance with the annual caps set by the Company and the terms are no less favourable to the Group than those available to independent third parties. The Company will designate specific personnel from the internal control department to monitor the Transactions under the Master Agreement and any irregularities in respect of the Transactions will be reported to the senior management of the Group in a timely manner.

The Group will also conduct regular internal checks on a quarterly basis to ensure that the internal control measures in respect of the Transactions under the Master Agreement remain intact and effective.

The Company will report the Transactions to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda.

The Transactions contemplated under the Master Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual reports of the Company, which provides a check and balance to ensure that the Transactions were conducted in accordance with the terms of the Master Agreement, on normal commercial terms (or terms no less favourable than terms available to the Group from independent third parties), and in accordance with the pricing principles of the Company and the annual caps pursuant to the Listing Rules.

The Company's independent auditor will be engaged to report on the continuing connected transactions under the Master Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the Transactions under the Master Agreement: (i) have proper Board approval; (ii) have in all material respects been conducted in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the Master Agreement; and (iv) have not exceeded the annual caps set by the Company.

LISTING RULES IMPLICATIONS

As Fund LP is interested in 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company) as at the Latest Practicable Date, it is therefore a controlling shareholder of the Company. CM Industry is ultimately wholly-owned by CM Group and the Fund LP is indirectly controlled by CM Group. Therefore, CM Industry is an associate of CM Group and the Fund LP and a connected person of the Company under the Listing Rules. As a result, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) exceed 5% and HK\$10 million, each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps), constitutes a continuing connected transaction for the Company and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As Mr. Lou Dongyang holds position at the CM Industry Group and Mr. Cong Yongjian holds position at Fund LP, each of them has abstained from voting on the Board resolutions in relation to the Master Agreement and the Transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all four independent non-executive Directors has been formed to consider the terms of each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps), so far as the interests of the Company and the Independent Shareholders are concerned as a whole. Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Product Sales and the Structural Parts Procurement. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular.

INDEPENDENT FINANCIAL ADVISER

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreement and the Transactions contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 20 to 40 of this circular.

EGM

The EGM will be convened and held at Units 2706-2709, 27/F, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 31 December 2020 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement and each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) thereunder.

Whether or not you propose 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 branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on 29 December 2020) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Board has fixed 12:00 noon on Thursday, 24 December 2020 as the record time and date for ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the forthcoming EGM to be held on Thursday, 31 December 2020, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investors Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 12:00 noon on Thursday, 24 December 2020.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CM Industry is ultimately wholly-owned by CM Group, a controlling shareholder of the Company holding (through Prime Force Investment Corporation) 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company), and is deemed to have a material interest in the Transaction. Therefore, Prime Force Investment Corporation, being an associate of CM Group and CM Industry, will be required to abstain from voting on the resolutions in relation to the Transactions under the Master Agreement at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Transactions and is therefore required to abstain from voting at the EGM for the relevant resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the memorandum and articles of association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular and the letter from the Independent Financial Adviser set out on pages 20 to 40 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions regarding the Master Agreement and each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) thereunder.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) are in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

FURTHER INFORMATION

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

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,
For and on behalf of the Board of Directors of
CMIC Ocean En-Tech Holding Co., Ltd.
Lou Dongyang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CMIC Ocean En-Tech Holding Co., Ltd.
華商國際海洋能源科技控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 206)

15 December 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
MASTER SUPPLY AND PURCHASE AGREEMENT

We refer to the circular issued by the Company to its shareholders dated 15 December 2020 (the “Circular”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Master Agreement and each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) thereunder, details of which are set out in the letter from the Board contained in the Circular.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in respect of the terms of the Master Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 20 to 40 of the Circular. Your attention is also drawn to the letter of the Board set out on pages 4 to 17 of the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Master Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the terms of the Master Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder are in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve and ratify the terms of the Master Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
CMIC Ocean En-Tech Holding Co., Ltd.

Mr. Chan Ngai Sang, Kenny
Independent non-executive Director

Mr. Chen Weidong
Independent non-executive Director

Mr. Zou Zhendong
Independent non-executive Director

Mr. Sun Dongchang
Independent non-executive Director

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 Independent Shareholders for inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

15 December 2020

*To: The Independent Board Committee and the Independent Shareholders of
CMIC Ocean En-Tech Holding Co., Ltd.*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY AND PURCHASE AGREEMENT

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement (together with the Products Annual Caps and the Structural Parts Annual Caps (collectively, the “**Annual Caps**”)) 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 of the Company (the “**Circular**”) to the Shareholders dated 15 December 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 5 November 2020, the Company entered into the Master Agreement with CM Industry, pursuant to which the Group intends to purchase structural parts and other components from CM Industry Group and sell Products (together with installation and ancillary services) to the CM Industry Group, effective from the Commencement Date to 31 December 2022.

As at the Latest Practicable Date, China Merchants of Great Wall Ocean Strategy & Technology Fund (L.P.) was (through Prime Force Investment Corporation, its wholly owned subsidiary) interested in 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company), it is therefore a controlling shareholder of the Company. CM Industry holds approximately 30% of the equity interest in China Merchants Great-Wall GP Limited and approximately 30% of the limited partnership interests in China Merchants of Great Wall Ocean Strategy & Technology Fund (L.P.). Therefore, CM Industry is deemed to be interested in 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company) as at the Latest Practicable Date and thus is a connected person of the Company under the Listing Rules. As a result, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) exceed 5% and HK\$10 million, each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps), constitute a continuing connected transaction for the Company and is subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. As Mr. Lou Dongyang holds position at the CM Industry Group and Mr. Cong Yongjian holds position at the Fund LP, each of them has abstained from voting on the Board resolutions in relation to the Master Agreement and the Transactions contemplated thereunder.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Cong Yongjian, Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan as executive Directors, Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui and Mr. Qian Zewei as non-executive Directors, and Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang as independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Master Agreement (together with the Annual Caps) and transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the purpose of advising the Independent Board Committee and the Independent Shareholders whether the terms of the Master Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CM Industry and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Master Agreement (together with the Annual Caps) and the transactions contemplated thereunder. In the previous two years, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company or CM Industry for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, CM Industry and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. 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 when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and CM Industry made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, CM Industry and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Agreement (together with the Annual Caps) and the transactions contemplated thereunder, and, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement (together with the Annual Caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the business of designing and manufacturing of rig equipment, manufacture and trading of oilfield expendables and offshore rig construction and services.

Set out below is a summary of the Group's operating results by activities, extracted from (i) the published annual report of the Company for the year ended 31 December 2019 (the "2019 Annual Report") and (ii) the latest published interim report of the Company for the six months ended 30 June 2020 (the "2020 Interim Report"):

Summary of the Group's operating results by business activities:

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Capital equipment and packages	6,826	13,510	39,296	32,724
– Oilfield expendables and supplies	20,966	15,054	28,873	24,604
– Asset management and engineering services	3,379	3,822	2,077	1,511
Total Revenue	31,171	32,386	70,246	58,839
Profit/(loss) for the year/period	2,895	7,519	9,318	(41,786)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020 compared to the six months ended 30 June 2019

As set out in the 2020 Interim Report, the revenue of the Group decreased by approximately US\$1.2 million or 3.7% from approximately US\$32.4 million for the six months ended 30 June 2019 to approximately US\$31.2 million for the six months ended 30 June 2020. Such decrease was mainly due to drop in orders delivered to customers under COVID-19 pandemic around the world.

It is also noted that profit for the period decreased by approximately US\$4.6 million or 61.3% from approximately US\$7.5 million for the six months ended 30 June 2019 to approximately US\$2.9 million for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease in share of profits of joint venture by approximately US\$6.6 million or 91.7% from approximately US\$7.2 million for the six months ended 30 June 2019 to approximately US\$0.6 million for the six months ended 30 June 2020. As set out in the 2020 Interim Report, such decrease was mainly attributable to the one-time gain from selling of rigs in the first half year of 2019 and the absence of the relevant items in 2020.

For the year ended 31 December 2019 compared to the year ended 31 December 2018

As set out in the 2019 Annual Report, the revenue of the Group increased by approximately US\$11.4 million or 19.4% from approximately US\$58.8 million for the year ended 31 December 2018 to approximately US\$70.2 million for the year ended 31 December 2019. Such increase was mainly attributable to increase in orders as a result of significant increase in upstream capital expenditure from land drilling rigs in the PRC.

For the year ended 31 December 2019, the Group recorded a profit after tax of approximately US\$9.3 million as compared to the net loss of approximately US\$41.8 million for the year ended 31 December 2018. The change from net loss to net profit was mainly attributable to (i) the increase in revenue as discussed above; and (ii) the increase in gross profit margin from approximately 17.1% in 2018 to approximately 34.2% in 2019; and (iii) the increase in other revenue and net income of approximately US\$3.0 million. As stated in the 2019 Annual Report, the increase in gross profit margin was mainly due to high profit margin contribution from the increase in sales of oilfield expendables and land rigs supporting equipment in America and the PRC. Besides, the increase in other revenue and net income was mainly due to the unutilised proceeds from rights issues were deposited into the licensed banks in Hong Kong as the main interest-bearing deposits, resulting in an increase in the total interest income of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of consolidated statement of financial position of the Group

	As at 30 June 2020 US\$'000 (unaudited)	As at 31 December 2019 US\$'000 (audited)	2018 US\$'000 (audited)
Total assets	378,098	356,178	280,782
– Property, plant and machinery	40,092	42,989	40,620
– Interest in joint venture	39,995	42,514	–
– Inventories	150,885	149,028	145,944
– Trade and other receivables	77,112	64,824	56,276
– Lease receivables	28,144	9,605	–
– Cash and cash equivalent	30,178	35,021	19,805
Total liabilities	258,911	235,764	252,384
– Trade and other payables	195,279	189,417	201,316
– Contract liabilities	30,740	29,034	29,444
– Lease liabilities	23,249	3,938	81
Total equity attributable to owners of the Company	119,803	121,056	28,653

Note:

For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

Financial position of the Group as at 30 June 2020 compared to 31 December 2019

The Group's total assets increased by approximately US\$21.9 million or 6.1% from approximately US\$356.2 million as at 31 December 2019 to approximately US\$378.1 million as at 30 June 2020. Such increase was primarily attributable to (i) the increase in trade and other receivables of approximately US\$12.3 million; and (ii) the increase in lease receivables of approximately US\$18.5 million. As at 30 June 2020, the assets of the Group mainly comprised of (i) inventories of approximately US\$150.9 million; (ii) trade and other receivables of approximately US\$77.1 million; and (iii) property, plant and equipment of approximately US\$40.1 million, which accounted for approximately 39.9%, 20.4% and 10.6% of the total assets, respectively.

The Group's total liabilities increased by approximately US\$23.1 million or 9.8%, from approximately US\$235.8 million as at 31 December 2019 to approximately US\$258.9 million as at 30 June 2020. Such increase was mainly attributable to (i) the increase in trade and other payables of approximately US\$5.9 million; and (ii) the increase in lease liabilities of approximately US\$19.3 million. As at 30 June 2020, liabilities of the Group mainly comprised of (i) trade and other payables of approximately US\$195.3 million; and (ii) contract liabilities of approximately US\$30.7 million, which accounted for approximately 75.4% and 11.9% of the total liabilities, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The equity attributable to owners of the Company decreased from approximately US\$121.1 million as at 31 December 2019 to approximately US\$119.8 million as at 30 June 2020 which was mainly due to (i) the comprehensive loss of approximately US\$0.5 million recorded for the period; and (ii) the payments for purchase of shares under share award scheme of approximately US\$0.7 million during the six months ended 30 June 2020. The Group shared other comprehensive loss of joint venture of approximately US\$3.2 million for the six months ended 30 June 2020 and resulted in a total comprehensive loss of approximately US\$0.5 million for the six months ended 30 June 2020.

Financial position of the Group as at 31 December 2019 compared to 31 December 2018

The Group's total assets increased by approximately US\$75.4 million or 26.9% from approximately US\$280.8 million as at 31 December 2018 to approximately US\$356.2 million as at 31 December 2019. Such increase was primarily attributable to (i) the increase in interest in joint venture of approximately US\$42.5 million; (ii) the increase in trade and other receivables of approximately US\$8.5 million; and (iii) the increase in lease receivables of approximately US\$9.6 million. As at 31 December 2019, the assets of the Group mainly comprised of (i) inventories of approximately US\$149.0 million; (ii) trade and other receivables of approximately US\$64.8 million; and (iii) property, plant and equipment of approximately US\$43.0 million, which accounted for approximately 41.8%, 18.2% and 12.1% of the total assets, respectively.

The Group's total liabilities decreased by approximately US\$16.6 million or 6.6%, from approximately US\$252.4 million as at 31 December 2018 to approximately US\$235.8 million as at 31 December 2019. Such decrease was mainly attributable to the decrease in trade and other payables of approximately US\$11.9 million. As at 31 December 2019, liabilities of the Group mainly comprised of (i) trade and other payables of approximately US\$189.4 million; and (ii) contract liabilities of approximately US\$29.0 million, which accounted for approximately 80.3% and 12.3% of the total liabilities, respectively.

As disclosed in the announcement of the Group dated 8 November 2018, the Company has decided to implement a right issue on the basis of one right Share for every one Share at the subscription price of HK\$0.45 per Share. Subsequently on 1 February 2019, the Company announced the completion of the right issue. With the impact of such right issue, the equity attributable to owners of the Company have been increased from approximately US\$28.7 million as at 31 December 2018 to approximately US\$121.1 million as at 31 December 2019.

2. Background information of CM Industry

As set out in the Letter from the Board, CM Industry is a limited liability company incorporated in Hong Kong. The CM Industry Group is principally engaged in five aspects including repairs & conversion, marine & offshore equipment newbuilding, specialised shipbuilding, cruise shipbuilding, new materials and special equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefits of entering into the Master Agreement

As set out in the Letter from the Board, the Transactions will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Agreement will be negotiated on an arm's length basis and be conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

The Directors expect that the Transactions will provide a stable source of revenue to the Group in the future, which is in line with the Company's long-term strategy of becoming a cost competitive provider of integrated solutions to the oil and gas drilling industry.

As advised by the management of the Company, the Master Agreement would enable to generate revenue as well as enhance utilisation of its assets by carrying out the sales of Products to CM Industry Group from time to time, provided that CM Industry Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

On the other hand, the supply of Products to CM Industry Group will result in the increase in demand of the structural parts and other components which are one of the key components in the manufacturing process of the Products. Hence, taking into consideration the competitive advantages from CM Industry Group in supply the required structural parts and other components such as the competitive pricing advantage and technical knowhow, the Group therefore decided to enter into the Master Agreement and acquired structural parts and other components when manufacturing the Products to CM Industry Group for the three years ending 31 December 2022.

Having considered that, (i) entering into of the Master Agreement will enable the Group to maintain its ordinary course of business and the Transactions are in line with the principal business of the Group; (ii) the CM Industry Group has established long-term business relationship with the Group such that CM Industry Group is able to satisfy the Group's demands in an effective way; and (iii) the Transactions shall be conducted on an arm's length basis and on normal commercial terms, we are of the view that the entering into of the Master Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Master Agreement

The following information has been extracted from the Letter from the Board:

Date	5 November 2020
Effective Period	From the Commencement Date to 31 December 2022 (both days inclusive), terminable by either Party giving to the other not less than two (2) months' prior written notice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Parties	<ol style="list-style-type: none">1. The Company2. CM Industry <p>(each a “Party” and collectively, the “Parties”)</p>
Condition precedent	<p>The Master Agreement is conditional upon the approval by the Independent Shareholders of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) at an extraordinary general meeting of the Company as required by the Listing Rules.</p>
Nature of transaction	<p>Pursuant to the Master Agreement, the Company (on behalf of itself and its subsidiaries) agreed to sell and CM Industry (on behalf of itself and its subsidiaries) agreed to purchase the Products (together with installation and ancillary services).</p> <p>Pursuant to the Master Agreement, CM Industry (on behalf of itself and its subsidiaries) agreed to sell structural part and other components and the Company (on behalf of itself and its subsidiaries) agrees to purchase structural part and other components.</p> <p>It was agreed that each agreement for the sale and purchase of Products (together with installation and ancillary services) and/or structural parts and other components will be entered into and be performed separately by the respective subsidiaries of the Company and CM Industry under separate contracts, on terms to be mutually agreed in accordance with the terms and conditions of the Master Agreement.</p>
Pricing principles	<p>Pursuant to the terms of the Master Agreement, the Transactions shall be conducted on normal commercial terms, in particular: (i) the Transactions will be on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties based on its trading database and internal control measures; (ii) the Transactions will be conducted in the ordinary and usual course of business of the Company and after arm’s length negotiations; and (iii) the Transactions will not exceed the Products Annual Caps and the Structural Parts Annual Caps (as the case may be) for the period from the Commencement Date to 31 December 2022.</p>

Products

The prices of the Products (together with installation and ancillary services) to be sold by the Group to the CM Industry Group shall be determined by reference to (and in any event no less favourable to) the prices of relevant comparable products (together with installation and ancillary services) in the trading database of the Group of similar quality, type and quantity adopted by the Group from time to time and generally applicable to all independent third parties on arm's length and normal commercial terms.

The Products mainly consist of a diverse array of more than 40 types of customized equipment together with services and miscellaneous standard parts to be used on different types of offshore platforms. The indicative prices per standardised Product to be sold by the Group to the CM Industry Group are expected to range from below US\$10 to approximately US\$150,000.

(i) When there are transaction records of comparable products in the trading database

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the prices of Products (together with installation and ancillary services) offered by the Group to the CM Industry Group with at least two recent transaction records of comparable products (together with installation and ancillary services) offered generally to independent third parties in the trading database of the Group before entering into individual contracts pursuant to the Master Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) *For Products manufactured with specific specifications in respect of which there are no transaction records of comparable products in the trading database*

The prices of such Products will be determined with reference to estimates of the Group's costs of production plus a profit margin, which shall be no less favourable than the profit margin estimated to be enjoyed by other suppliers in the market of comparable products. Such profit margin estimates will be calculated with reference to the quoted selling price of comparable products of other suppliers in the market, under the assumption that the costs of production of other suppliers in the market would not differ materially from those of the Group. The indicative gross profit margins for Products manufactured with specific specifications to be sold by the Group to the CM Industry Group are expected to range from approximately 10% to 30%. Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the profits margins of the Group in respect of the Products and the profit margin estimates of other suppliers in the market for comparable products before entering into individual contracts pursuant to the Master Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that (1) the prices of Products (together with installation and ancillary services) available to the CM Industry Group from the Group are less favourable to the Group than those offered by the Group to independent third parties for comparable products (together with installation and ancillary services) of similar quality, type and quantity in the trading database of the Group, or (2) the profit margin enjoyed by the Group for Products in respect of which there are no transaction records of comparable products in the trading database is less favourable than the profit margin estimated to be enjoyed by other suppliers in the market, the Group will not enter into such transactions.

The Group will at its best effort further negotiate with the CM Industry Group for more favourable terms in order to comply with the pricing principles of the Company disclosed above.

Structural parts and other components

The prices of the structural parts and other components purchased by the Group from the CM Industry Group shall be no less favourable to the prevailing market prices of comparable structural parts and other components of similar type, quantity and quality. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations offered by independent third parties for comparable structural parts and other components.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following bidding process is to be adopted by the Company to ensure that the prices and terms in relation to structural parts and other components offered by the CM Industry Group are no less favourable to those offered by independent third parties for comparable structural parts and other components :

- The Company will obtain at least three price quotations for structural parts and other components of similar type, quantity and quality from qualified suppliers. A supplier is classified as a qualified supplier if it meets the criteria set out in the procurement and payment internal control manual adopted by the Group in 2018, under which, the eligibility of suppliers are assessed with reference to an array of factors, including but not limited to prices, timeliness of delivery, payment terms, quality of products and/or services, capabilities and operational track records. The procurement department of the Group assesses the eligibility of suppliers against these criteria by reviewing the relevant corporate, tax, licensing and credit materials provided by relevant suppliers, with the assistance of other departments such as the production, finance, project management and technology departments. The Group generally carries out reviews of qualified suppliers on a yearly basis with reference to the certified quality control manual of the Group so as to ensure that the products/services of the Group would be able to meet international standard and/or industry standard. A majority of qualified suppliers are independent third parties.

When assessing whether the prices or terms offered by the CM Industry Group are no less favourable compared to those offered by independent third parties, the Company will make reference to the following factors: (1) the prices of comparable structural parts and other components provided by three independent third parties; and (2) other major terms under the separate agreement to be entered into between members of the Group and members of the CM Industry Group for the Structural Parts Procurement, including but not limited to timeliness of delivery, payment terms, quality of products services, capabilities and operational track records.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon obtaining the quotations, the procurement department, technical department and project management department of the Group will jointly assess the quotations based on the factors set out above. On the assumption that the other major terms offered are substantially similar, the quotation having the lowest price will generally be selected by the Group.

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve such transactions will review and compare the prices and terms in respect of structural parts and other components offered by the CM Industry Group to the Group with at least three price quotations offered by independent third party suppliers for comparable structural parts and other components of similar quality, type and quantity before entering into individual contracts pursuant to the Master Agreement.

In the event that the prices or terms in respect of structural parts and other components available to the Group from the CM Industry Group are less favourable to the Group than the price quotations offered by independent third parties for comparable structural parts and other components of similar quality, type and quantity, the Group will not enter into such transactions.

The Group will at its best effort further negotiate with the CM Industry Group for more favourable terms in order to comply with the pricing principles of the Company disclosed above.

Further details of the principal terms of the Master Agreement is set out in the Letter from the Board.

Information on the Products

A wide variety of Products are to be sold on a non-exclusively basis under separate agreements entered into between members of the Group and members of the CM Industry Group pursuant to the Master Agreement, including power control package, jacking system, BOP handling and transport, burner boom, and project(s) or others related to offshore platforms including cantilever and drill floor projects; rack material cutting projects; other material processing projects; and design, engineering and consulting service projects etc. The proceeds from the Product Sales will constitute operating revenue of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on structural parts and other components

Structural parts and other components are to be used in the manufacturing process of heavy lift cranes. The Company expects that the structural parts and other components to be procured from CM Industry by the Group generally represent steel structural parts and other components.

5. Internal procedures of the Group in respect of the Transactions

In order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following guidelines and principles for monitoring the Transactions between the Group and the CM Industry Group.

Under such internal control measures, the Group maintains a trading database containing historical selling prices of its Products (together with installation and ancillary services) and relevant terms and conditions of such transactions. The information in the trading database is obtained in the course of the Group's operations and from the Group's internal sources (including information in respect of transactions entered into by different divisions/departments of the Group). The Company will continue to develop and maintain the trading database so as to include pricing information in relation to Products sold by the Group in the future. Designated personnel of the sales department of the Group are responsible for the maintenance of the trading database, and the trading database is generally updated on an instantaneous (or as soon as practicable) basis after the materialisation or consummation of a sales transaction. A supervising vice president of the Group is designated to monitor and supervise the maintenance of the trading database to ensure that up-to-date records of the selling terms, prices and transaction records for products sold by the Group are properly kept. The Company will also conduct random checks on the trading database so as to ensure that an effective and sound internal control measure is in place so that the Products Sales are conducted on a fair and reasonable basis. The procurement department of the Group will also obtain relevant market information and/or price quotations offered by independent third parties for comparable structural parts and other components in accordance with the procedures set out in the section headed "4. Principle terms of the Master Agreement – Pricing principles".

The relevant business units and departments of Group will monitor and review the prices and terms in respect of the relevant Products (together with installation and ancillary services) offered to or structural parts and other components acquired from the CM Industry Group regularly in order to ensure that the Transactions are conducted on normal commercial terms, in accordance with the Annual Caps set by the Company and the terms are no less favourable to the Group than those available to independent third parties. The Company will designate specific personnel from the internal control department to monitor the Transactions under the Master Agreement and any irregularities in respect of the Transactions will be reported to the senior management of the Group in a timely manner.

The Group will also conduct regular internal checks on a quarterly or more frequent basis to ensure that the internal control measures in respect of the Transactions under the Master Agreement remain intact and effective.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company will report the Transactions to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda.

The Transactions contemplated under the Master Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual reports of the Company, which provides a check and balance to ensure that the Transactions were conducted in accordance with the terms of the Master Agreement, on normal commercial terms (or terms no less favourable than terms available to the Group from independent third parties), and in accordance with the pricing principles of the Company and the Annual Caps pursuant to the Listing Rules.

The Company's independent auditor will be engaged to report on the continuing connected transactions under the Master Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the Transactions under the Master Agreement: (i) have proper Board approval; (ii) have in all material respects, been conducted in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the Master Agreement; and (iv) have not exceeded the Annual Caps set by the Company.

As discussed with the Management, when determining the market prices for the sale of the Products, the price of such are determined by reference to (and in any event no less favourable to) the prices of relevant comparable products (together with installation and ancillary services) in the trading database of the Group of similar quality, type and quantity adopted by the Group from time to time and generally applicable to all independent third parties on arm's length and normal commercial terms. The sales procedure that the Group adopt to supply such products to all customers, being CM Industry Group or independent third party customers, will be the same. The Group will sign the standardised contract with CM Industry Group. The sales management, finance, legal and other relevant departments will use the same assessment criteria as stated in the section headed "4. Principle terms of the Master Agreement – Pricing Principles" to review and approve the Master Agreement, and ensure that the Group uses the same procedures to issue invoices.

Shareholders should note that, pursuant to the Master Agreement, sales by the Group to CM Industry Group is on a non-exclusive basis. Accordingly, the Group is not obligated to transact with CM Industry Group and would only do so if it is in the commercial interests of the Group, and it does not restrict the Group from selling to other customers.

Having considered the above, in particular a management personnel of the Group authorised to approve such transactions will review and compare the prices with recent transaction records of comparable products offered generally to or offered generally by independent third parties, we are of the view that the Master Agreement would provide commercial flexibility to the Group to transact with other customers in the event that the Group and CM Industry Group might not be able to agree upon the terms or pricing of the sales with CM Industry Group.

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In assessing the fairness and reasonableness of the terms of the Transactions, we have obtained and reviewed one sales contract entered into by the Group with CM Industry Group (the “**Connected Sales Contract**”) and four sales contract entered into by the Group with independent third parties (the “**Independent Sales Contract**”). We noted that the Connected Sales Contract was secured through open tender and the selling price of the products under the Independent Sales Contract.

To evaluate the sufficiency and effectiveness of the Company’s internal control measures, we have reviewed the Company’s internal control policy and discussed with the Company’s management to understand the relevant policy. In light of the abovementioned internal control measures, and having considered, in particular, (i) the restriction of the value of the Transactions by way of the Annual Caps; (ii) the ongoing review by the independent non-executive Directors and the independent auditor of the Company of the terms of the continuing connected transactions under the Master Agreement and the Annual Caps not being exceeded; and (iii) the internal procedure in relation to the pricing basis of the Products and Structural parts and other components, we concur with the view of the Directors that the effective implementation of these internal control policies would ensure the Transactions to be conducted on terms which are fair and reasonable and appropriate and sufficient pricing mechanism has been in place to ensure that the Transactions will be conducted on normal commercial terms. Accordingly, we are of the opinion that the terms of the Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Basis for determining the Annual Caps

The table below sets out the historical transaction amounts for (i) sale of Products; and (ii) purchase of structural parts and other components:

	Historical transaction amounts		
	for the year ended		from 1 January
	31 December		2020 to the
	2018	2019	date of the
	(US\$)	(US\$)	Announcement
			(US\$)
Sale of Products	–	0.93 million	–
Purchase of structural parts and other components	–	–	–

As shown in the table above, the historical transaction amounts for sales of Products were approximately US\$0.93 million for the year ended 31 December 2019. On the other hand, as stated in the Letter from the Board, there is no historical transaction with CM Industry Group in purchase of structural parts and other components.

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The table below sets out the proposed Annual Caps for (i) the Products; and (ii) the structural parts and other components:

	Annual Caps		
	For the period/year ending 31 December		
	2020 (US\$)	2021 (US\$)	2022 (US\$)
Products Annual Caps	40 million	100 million	100 million
Structural Parts Annual Caps	5 million	16 million	16 million

As stated in the Letter from the Board, the Products Annual Caps were determined by the Company after taking into account of:

- (i) The general condition of the offshore wind power market:

The Company observed a trend in the development of offshore wind power installation platforms and expects that the CM Industry Group will develop four to five of such platforms on a yearly basis. The Company understands that shipyards of CM Industry have commenced the construction of wind power installation platforms and the Company has been shortlisted as a qualified supplier for heavy lift cranes and jacking systems. The Company expects to sell such Products to CM Industry for installation on its wind power installation platforms and hence, the demand from CM Industry Group in the high quality Products is expected to increase from the Commencement Date to 31 December 2022.

- (ii) the estimated demand for the Products (together with installation and ancillary services) by the CM Industry Group from the Commencement Date to 31 December 2022 and the historical supply of the ancillary products in relation to the Products to independent third party customers:

The Company has mainly taken into account the intended demand of 1, 3 and 3 shipsets of jacking systems and heavy lift cranes for wind power installation platform for the years ending 31 December 2020, 2021 and 2022, respectively. Taking into consideration that CM Industry is expected to secure an order for an offshore wind power installation platform, the Company understands that it is the intention of the Group and CM Industry Group to enter into a sales contract by the end of December 2020 for one shipset of jacking system and heavy lift crane. The Company had also considered the historical transaction amount of individual products for other types of platforms in relation to the Products sold to other independent third party customers in projecting the aggregate sales of Products (together with installation and ancillary services) to the CM Industry Group.

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- (iii) the expected selling prices of the Products (together with installation and ancillary services) from the Commencement Date to 31 December 2022:

In determining the expected selling prices of the Products (together with installation and ancillary services), the Company had made reference to the specifications of Products required by CM Industry Group, the prices of such Products in the trading database of the Company and relevant market prices of such Products. It is estimated that the selling price of each set of heavy lift crane and jacking system will in aggregate be approximately RMB85 million to RMB120 million and RMB90 million to RMB120 million, respectively.

In particular, the Products supplied to CM Industry Group was based on the traditional utilities used in offshore wind power market. As advised by the Management, given that the increased demand in energy supply from offshore oil and gas market in 2020, the demand from CM Industry Group in the high quality Products continues to increase. As a result, the Group entered into the Master Agreement with CM Industry Group in order to capture the increased demand of the high quality Products required by CM Industry Group for the three years ending 31 December 2022.

On the other hand, the Structural Parts Annual Caps were determined by the Company after taking into account of:

- (i) the estimated demand for structural parts and other components by the Group from the Commencement Date to 31 December 2022:

The Company had considered the intended demand of 1, 3 and 3 heavy lift cranes from the CM Industry Group during the years ending 31 December 2020, 2021 and 2022 and an estimation for a range of 1,300 to 2400 tons of structural parts and other components required in the manufacturing process of each heavy lift crane designed by the Company. The estimated purchase price of the structural parts and other components required for a heavy lift crane is expected to be approximately RMB26 million to RMB48 million.

- (ii) the expected selling price of structural parts and other components based on estimations with reference to the market prices.
- (iii) the estimated buffer of 10% for fluctuation of market prices and change in specifications:

A buffer of 10% is built in to afford the Group with flexibility to cater for fluctuation of market prices and unexpected change in the specifications of the heavy lift cranes which would require additional structural parts and other components.

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In connection to the above, we had discussed with and understood from the Management that the estimated demand for the Products (together with installation and ancillary services) of CM Industry Group was based on the intended demand of 1, 3 and 3 shipsets of jacking system and heavy lift crane for the years ending 31 December 2020, 2021 and 2022, respectively with the expected selling prices of such jacking system and heavy lift crane which based on the specifications required by CM Industry Group and relevant market price of such products ranged from approximately RMB90 million to RMB120 million and approximately RMB85 million to RMB120 million, respectively. Moreover, the Management advised that the Company had referenced the historical transaction amount of other ancillary products in relation to the Products to other third party customers in projecting the relevant sales figures to CM Industry Group.

In addition, we had obtained the cost breakdown of such jacking system and heavy lift crane, as well as the relevant supporting documents, and discussed with the Management the basis adopted by them in determining the Products Annual Caps, and having considered that (i) intended demand for the Products (together with installation and ancillary services) of CM Industry Group; (ii) the expected selling price of the Products (together with installation and ancillary services); and (iii) the estimated buffer of approximately 10% of the Products Annual Caps, we are of the view that such basis thereunder is fair and reasonable.

As advised by the Management, the Structural Parts Annual Caps was based on (i) the estimated 1300 tons of structural parts required per heavy lift crane in the manufacturing process of the heavy lift crane under the specifications of CM Industry Group; (ii) the intended demand of 1, 3 and 3 heavy lift crane required by CM Industry Group during the year ending 31 December 2020, 2021 and 2022, respectively; (iii) the market price of structural parts per ton; and (iv) the estimated buffer in the volume of structural parts needed. As discussed with the Management, the buffer is to cater for unexpected circumstances, such as unexpected enhancement in the specifications of the heavy lift crane which would require additional structural parts, which would provide the Group with the flexibility but not the obligation to purchase structural parts under the Master Agreement, apart from the estimated 1300 tons per heavy lift crane as estimated under the existing specifications of heavy lift crane.

In addition, we had obtained the expected cost breakdown of such structural parts required per heavy lift crane in the manufacturing process of the heavy lift crane, as well as the relevant supporting documents, and discussed with the Management the basis adopted by them in determining the Structural Parts Annual Caps, and having considered that (i) the estimated demand of structural parts required per heavy lift crane in the manufacturing process of the heavy lift crane; (ii) the expected cost associated; and (iii) the estimate buffer of approximately 10% of the Structural Parts Annual Caps, we are of the view that such basis thereunder is fair and reasonable.

Taking into account of the above, in particular, (i) estimation from CM Industry Group on its purchase plan of the Products (together with installation and ancillary services) from the Commencement Date to 31 December 2022; (ii) the estimated selling price of such Products based on the specifications required by CM Industry Group; (iii) the supply of other ancillary products to CM Industry Group in relation to the jacking system and heavy lift crane; (iv) the estimated structural parts needed per heavy lift crane; (v) the estimated selling price of structural parts per ton; and (vi) the estimated buffer in the volume structural parts needed, we are of the view that the proposed Annual Caps under the Master Agreement are fair and reasonable as far as the Independent Shareholders are concerned. Nevertheless, the Shareholders are advised that the

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Annual Caps only represent an estimate by the Group based on the information available at the relevant time and is not an indication of actual sales to be earned nor actual costs to be incurred by the Group.

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the for entering into the Master Agreement;
- (ii) the entering into of the Master Agreement is fair and reasonable and in the ordinary and usual course of business of the Group and on normal commercial terms that are no more favourable than those prices and terms available from independent third parties to the Group, and is in the interests of the Group and the Shareholders as a whole;
- (iii) the terms of the Master Agreement are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole; and
- (iv) the proposed Annual Caps are reasonably determined, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Master Agreement (together with the Annual Caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in corporate finance industry.

(A) 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(B) DISCLOSURE OF INTERESTS**(a) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Name	Company	Capacity	Type of interest	Number of Shares	Approximate % of Shareholding (Note 1)
Mr. Zhang Menggui, Morgan	Company	Beneficial owner	Long Position	64,679,100	1.99%
Mr. Jiang Bing Hua	Company	Beneficial owner	Long Position	25,665,240	0.79%
Mr. Chan Ngai Sang, Kenny	Company	Beneficial owner	Long Position	500,000	0.02%

Note:

1. The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 4)
China Great Wall AMC (International) Holdings Company Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Great Wall Asset Management Co., Ltd. (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Great-Wall GP Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%

APPENDIX

GENERAL INFORMATION

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 4)
Great Wall International Investment V Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
Prime Force Investment Corporation (Note 1)	Beneficial owner	Long Position	1,530,372,000	47.18%
China Merchants Group Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
Wah Shun International Marine Limited (Note 3)	Beneficial owner	Long Position	174,394,797	5.38%
CSSC Huangpu Wenchong Shipbuilding Company Limited (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
CSSC Offshore and Marine Engineering (Group) Company Limited (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
China State Shipbuilding Corporation Limited (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
Minyun Limited	Beneficial owner	Long Position	284,751,000	8.78%
China International Marine Containers (Hong Kong) Ltd (Note 2)	Beneficial owner	Long Position	185,600,000	5.72%
China International Marine Containers (Group) Co., Ltd. (Note 2)	Interest of controlled corporation	Long Position	185,600,000	5.72%

Notes:

1. Prime Force Investment Corporation (“**Prime Force**”) is a company incorporated in the British Virgin Islands and is wholly owned by Fund LP and Fund LP is therefore deemed to be interested in the 1,530,372,000 Shares that Prime Force is interested in under Part XV of the SFO.

China Merchants Great-Wall GP Limited (“**Fund GP**”) is the general partner of Fund LP and is therefore deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO.

China Great Wall AMC (International) Holdings Company Limited (“**GWAMC International**”) holds 25% of Fund GP and is a wholly owned subsidiary of China Great Wall Asset Management Co., Ltd. (“**GW Asset Management**”).

Great Wall International Investment V Limited holds approximately 39.986% of the limited partnership interests in Fund LP and is therefore deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO. Great Wall International Investment V Limited is a wholly owned subsidiary of GWAMC International, and GWAMC International is a wholly owned subsidiary of GW Asset Management. Therefore, GW Asset Management is deemed to be interested in the 1,530,372,000 Shares held by Fund LP.

China Great Bay Area Fund Management Company Limited holds 30% of the equity interest in Fund GP and is a wholly owned subsidiary of China Merchants Capital Management Co. Ltd., which in turn is wholly owned by China Merchants Capital Investment Co., Ltd.

China Merchants Union (BVI) Limited holds approximately 9.996% of the limited partnership interests in Fund LP and 15% of the equity interest in Fund GP, and its 50% of equity interest is held by China Merchants Holdings (Hong Kong) Company Ltd. which is wholly owned by China Merchants Steam Navigation Company Limited. China Merchants Industry Holdings Co., Ltd. (“**CM Industry**”) holds 30% of the equity interest in Fund GP and approximately 29.989% of the limited partnership interests in Fund LP, and is a wholly owned subsidiary of China Merchants Steam Navigation Company Limited which is a wholly owned subsidiary of China Merchants Group Limited* (招商局集團有限公司) (“**CM Group**”). Therefore, China Merchants Steam Navigation Company Limited and CM Group are deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO.

2. China International Marine Containers (Group) Company Limited (“**CIMC Group**”) holds the entire issued share capital of China International Marine Containers (Hong Kong) Limited (“**CIMC HK**”). Therefore, CIMC Group is deemed to be interested in the 185,600,000 Shares held by CIMC HK under Part XV of the SFO.
3. Wah Shun International Marine Limited is owned as to 99% of its equity interest by CSSC Huangpu Wenchong Shipbuilding Company Limited (“**Huangpu**”), Huangpu is therefore deemed to be interested in 174,394,797 Shares under Part XV of the SFO.

54.54% of the issued share capital of Huangpu is held by CSSC Offshore and Marine Engineering (Group) Company Limited (“**CSSC Offshore**”), a company’s A shares and H shares are listed on The Shanghai Stock Exchange and the Stock Exchange, respectively. CSSC Offshore is therefore deemed to be interested in 174,394,797 Shares under Part XV of the SFO.

As China State Shipbuilding Corporation Limited holds 14.48% of the issued share capital in Huangpu and 35.5% of the issued share capital in CSSC Offshore, it is deemed to be interested in 174,394,797 Shares under Part XV of the SFO.

4. The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(C) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(D) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed directors of the Company or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

(E) MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

(F) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(G) EXPERT'S QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

Name	Qualification
Red Sun Capital Limited	licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement, the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps).

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 15 December 2020 in the form and context in which it is included and all references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert 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 nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(H) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Units 2706-2709, 27/F, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon Hong Kong for a period of 14 days from the date of this circular (both days inclusive):

1. this circular;
2. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
3. the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from Independent Board Committee” in this circular;
4. the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Independent Financial Adviser” in this circular;
5. the written consents referred to in the paragraph headed “Expert’s Qualifications and Consents” in this appendix; and
6. the Master Agreement.

NOTICE OF EGM

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CMIC Ocean En-Tech Holding Co., Ltd. **華商國際海洋能源科技控股有限公司**

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 206)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular to the shareholders of the Company dated 15 December 2020 (the “Circular”), unless the context requires otherwise.

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at the Company’s principal place of business in Hong Kong at Units 2706-2709, 27/F, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong on Thursday, 31 December 2020 at 10:00 a.m. to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the the Master Agreement, a copy of which has been produced to this meeting marked “A” for the purpose of identification, the terms and conditions thereof, and the Product Sales by the Group to the CM Industry Group contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the proposed Products Annual Cap for each of the period/year ending 31 December 2020, 2021 and 2022, being the maximum annual sales amount receivable by the Group from the CM Industry Group for the Products Sales under the Master Agreement be and are hereby approved, confirmed and ratified in all respects; and

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- (c) the execution of the Master Agreement by any one Director be and is hereby approved, confirmed and ratified in all respects, and any one Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments and take all such steps as such Director in his/her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Master Agreement and the Product Sales contemplated thereunder.”

2. “**THAT:**

- (a) the form and substance of the Master Agreement, a copy of which has been produced to this meeting marked “A” for the purpose of identification, the terms and conditions thereof and the Structural Parts Procurement by the Group from the CM Industry Group contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the proposed Structural Parts Annual Cap for each of the period/year ending 31 December 2020, 2021 and 2022, being the maximum annual purchase amount payable by the Group to the CM Industry Group for the Structural Parts Procurement under the Master Agreement be and are hereby approved, confirmed and ratified in all respects; and
- (c) the execution of the Master Agreement by any one Director be and is hereby approved, confirmed and ratified in all respects, and any one Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments and take all such steps as such Director in his/her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Master Agreement and the Structural Parts Procurement contemplated thereunder.”

By order of the Board
CMIC Ocean En-Tech Holding Co., Ltd.
Lou Dongyang
Chairman

Hong Kong, 15 December 2020

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
2. 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, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on 29 December 2020) (Hong Kong time) or any adjourned meeting.

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3. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. The Board has fixed 12:00 noon on Thursday, 24 December 2020 as the record time and date for ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the forthcoming EGM to be held on Thursday, 31 December 2020, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investors Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 12:00 noon on Thursday, 24 December 2020.
6. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll.
7. Precautionary measures being taken to prevent and control the spread of the novel coronavirus pneumonia (COVID-19) at the Extraordinary General Meeting, including:
 - (i) mandatory body temperature screening at the entrance of the venue for each attendee. Any person with a body temperature over 37.5°C shall not be permitted to enter the venue;
 - (ii) use of a surgical face mask for each attendee;
 - (iii) no distribution of corporate souvenirs/gifts or refreshments;
 - (iv) appropriate distancing and spacing between seats; and
 - (v) other measures may be required by governmental bodies.

Any attendee who does not comply with the precautionary measures or is subject to quarantine, with any flu-like symptoms, who has had close contact with any person under quarantine, or has travelled overseas within 14 days immediately before the Extraordinary General Meeting shall not be permitted to enter the venue. All shareholders are strongly encouraged to appoint the chairman of the meeting as their meeting proxy to vote on the relevant resolutions(s) at the Extraordinary General Meeting as an alternative to attending the Extraordinary General Meeting in person and contacting the Investor Relations Department of the Company for questions to management.

As of the date of this notice, the Board comprises 3 executive Directors, namely Mr. Cong Yongjian, Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; 4 non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui and Mr. Qian Zewei; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.