



红日资本有限公司
RED SUN CAPITAL LIMITED

10 December 2025

*To: The Independent Board Committee and the Independent Shareholders of
CM Energy Tech Co., Ltd*

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTION
IN RELATION TO PRODUCT SALES
(2) CONTINUING CONNECTED TRANSACTION AND MAJOR
TRANSACTION IN RELATION TO VESSELS CHARTERING**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the continuing connected transactions in connection with the (1) Master Supply and Purchase Agreement (including the Products Annual Caps); and (2) Master Vessels Chartering and Management Services Agreement (including the Vessels Chartering Annual Caps and the Vessels Management Services 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 10 December 2025, 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.

Reference is made to the announcement of the Company dated 18 October 2022 and the circular of the Company dated 28 November 2022 in relation to the existing Master Supply and Purchase Agreement (“**Existing Master Supply and the Purchase Agreement**”) and the existing Master Vessels Chartering and Management Services Agreement (“**Existing Master Vessels Chartering and Management Services Agreement**”) entered into between the Company and CM Industry on 18 October 2022 and the continuing connected transaction contemplated thereunder.

As the Existing Master Supply and Purchase Agreement will be expired on 31 December 2025, on 14 November 2025 (after trading hours), the Company entered into the Master Supply and Purchase Agreement with CM Industry, pursuant to which the Group will continue to, amongst others, sell the Products to the CM Industry Group, for a term from the Commencement Date to 31 December 2028.

As the Existing Master Vessels Chartering and Management Services Agreement will be expired on 31 December 2025, on 14 November 2025 (after trading hours), the Company entered into the Master Vessels Chartering and Management Services Agreement with CM Industry, pursuant to which the Group will continue to, amongst others, charter vessels from the CM Industry Group, for a term from the Commencement Date to 31 December 2028.

II. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, as CM Industry is indirectly interested in 1,530,372,000 Shares (representing approximately 47.18% of the issued share capital of the Company) through Prime Force Investment Corporation, it is therefore, a controlling shareholder of the Company and also a connected person of the Company. As a result, the Sales and Procurement and Vessel Services 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 Products Annual Caps exceed 5%, the Product Sales constitutes a continuing connected transaction for the Company, and is subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements 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 the Vessels Chartering Annual Caps exceed 25% but all are below 100%, the Vessels Chartering constitutes a continuing connected transaction and major transaction for the Company and is subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

As Mr. Mei Zhonghua, Mr. Liu Jiancheng, Mr. Tam Wing Tim hold positions in the CM Industry Group, each of them is deemed to be materially interested in, and has abstained from voting on the Board resolutions in relation to the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement.

III. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Zhan Huafeng as executive Director, Mr. Mei Zhonghua, Mr. Liu Jiancheng, Mr. Tam Wing Tim, Mr. Zhang Xizheng and Mr. Zhang Menggui, Morgan as non-executive Directors, and Mr. Zou Zhendong, Ms. Zhang Zhen and Mr. Xue Jianzhong 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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement and the Sales and Procurement and Vessel Chartering contemplated thereunder (together with the Annual Caps) 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 Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. 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 Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement (together with the Annual Caps) and the transactions contemplated thereunder.

As at the Latest Practicable Date, we did not have any interest or ongoing business relationship with the Company that would make us not independent according to Rule 13.84 of the Listing Rules. Save for this appointment and our appointment as the independent financial adviser in relation to the subscription of shares under specific mandate and the application of whitewash waiver, details of which is set out in the circular dated 13 February 2025, Red Sun Capital Limited have not acted as the independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

V. 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 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 no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

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 to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services 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.

VI. 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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Services 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

With reference to the Letter from the Board, the Group is principally engaged in the assets investment and operation management of offshore engineering platform, onshore and offshore oil and gas exploration and development, offshore wind power installation and other related equipment and equipment package design, manufacturing and services, new energy industry business and other clean energy and technology investment businesses.

Set out below is a summary of the Group's financial information for the years ended 31 December 2023 and 2024 and for the six months ended 30 June 2024 and 2025, as extracted from the annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the interim report for the six months ended 30 June 2025 (the "2025 Interim Report"), respectively:

Summary of the Group's statement of profit or loss

	For the six months ended 30 June		For the year ended 31 December	
	2024	2025	2023	2024
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Equipment manufacturing and packages	38,247	28,548	101,374	86,562
– Supply chain and integration services	14,526	10,341	29,089	25,755
– Asset management and engineering services	24,828	23,741	50,874	54,456
Total Revenue	77,601	62,630	181,337	166,773
Profit for the period/year	4,784	2,781	9,609	9,194

For the six months ended 30 June 2024 ("6M2024") compared to the six months ended 30 June 2025 ("6M2025")

As set out in the 2025 Interim Report, the revenue of the Group decreased by approximately US\$15.0 million or 19.3% from approximately US\$77.6 million for 6M2024 to approximately US\$62.6 million for 6M2025. The decrease in revenue was mainly due to the reduction in delivery order volume.

The total revenue for 6M2025 comprised: (i) revenue from the equipment manufacturing and packages segment of approximately US\$28.5 million, representing a decrease of approximately 25.4% from approximately US\$38.2 million for 6M2024, which was mainly due to decrease in completed and delivered projects; (ii) revenue from the supply chain and integration services of approximately US\$10.3 million, recording a decrease of approximately 28.8% from approximately US\$14.5 million for 6M2024 and was mainly due to a year-on-year decrease in completed orders in the Mexico market; and (iii) asset management and engineering services segment of approximately US\$23.7 million, which was broadly in line with 6M2024 of approximately US\$24.8 million.

The profit for the period decreased by approximately US\$2.0 million or 41.9% from approximately US\$4.8 million for 6M2024 to approximately US\$2.8 million for 6M2025, such was mainly due to the aforesaid overall decrease in revenue.

For the year ended 31 December 2023 (“FY2023”) compared to the year ended 31 December 2024 (“FY2024”)

As set out in the 2024 Annual Report, the Group’s total revenue decreased by approximately US\$14.6 million or 8.0% from approximately US\$181.3 million for FY2023 to approximately US\$166.8 million for FY2024. The decrease in revenue was mainly driven by the decrease in revenue recognised in the equipment manufacturing and packages and supply chain and integration services segment.

The total revenue for FY2024 comprised: (i) revenue recognised in equipment manufacturing and packages of approximately US\$86.6 million, representing a decrease of approximately 14.6% as compared to approximately US\$101.4 million for FY2023, due to a significant reduction in wind power business; (ii) supply chain and integration services of approximately US\$25.8 million, recording a decrease of approximately 11.5% from approximately US\$29.1 million for FY2023; and (iii) asset management and engineering services segment of approximately US\$54.5 million which recorded an increase of approximately 7.0% as compared to approximately US\$50.9 million for FY2023.

The profit for the year decreased by approximately US\$0.4 million or 4.3% from approximately US\$9.6 million for FY2023 to approximately US\$9.2 million for FY2024. Such decrease was mainly due to the net effects of (i) the decrease in revenue as discussed above; (ii) the decrease in other income, gains and losses of approximately US\$1.5 million; and (iii) the increase in losses on the shares of results of a joint venture of approximately US\$1.8 million, caused by the operating losses incurred by the associates in 2024.

Summary of consolidated statement of financial position of the Group

	As at 30 June 2025 US\$'000 (unaudited)	As at 31 December 2023 US\$'000 (audited)	2024 US\$'000 (audited)
Non-current assets	46,611	81,446	53,289
Current assets	253,546	244,855	257,081
Total assets	300,157	326,301	310,370
Non-current liabilities	514	22,136	3,579
Current liabilities	117,358	128,341	127,544
Total liabilities	235,230	150,477	131,123
Total equity attributable to equity shareholders of the Company	181,172	175,041	178,191

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 2025

As at 30 June 2025, the total assets of the Group were approximately US\$300.2 million, the total liabilities of the Group were approximately US\$235.2 million and the total equity attributable to owners of the Company was approximately US\$181.2 million.

As at 30 June 2025, the assets of the Group mainly comprised of (i) cash and cash equivalents of approximately US\$90.6 million; (ii) trade and other receivables of approximately US\$92.1 million; and (iii) inventories of approximately US\$41.7 million.

As at 30 June 2025, the liabilities of the Group mainly comprised of (i) trade and other payables of approximately US\$40.5 million; (ii) contract liabilities of approximately US\$34.1 million; and (iii) lease liabilities (current and non-current portion) of approximately US\$40.1 million.

Financial position of the Group as at 31 December 2023 and 31 December 2024

As at 31 December 2024, the Group's total assets amounted to approximately US\$310.4 million, representing a decrease of approximately US\$15.9 million or 4.9% from approximately US\$326.3 million as at 31 December 2023. Such decrease was primarily due to the net effects of the (i) decrease in property, plant and equipment of approximately US\$21.9 million; (ii) decrease in trade and other receivables of approximately US\$8.7 million; (iii) the increase in lease receivables of approximately US\$17.8 million; and (iv) decrease in inventories of approximately US\$2.8 million, as compared as at 31 December 2023.

As at 31 December 2024, the Group's total liabilities amounted to approximately US\$131.1 million, representing a decrease of approximately US\$19.4 million from approximately US\$150.5 million as at 31 December 2023. Such decrease was mainly attributable to the (i) decrease in trade and other payables of approximately US\$9.4 million; and (ii) decrease in lease liabilities (non-current portion) of US\$18.6 million, and were partially offset by the increase in lease liabilities (current portion) of approximately US\$15.7 million.

The equity attributable to owners of the Company of approximately US\$178.2 million as at 31 December 2024 remained broadly in line with approximately US\$175.0 million as at 31 December 2023.

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 of business including repairs & conversion, marine & offshore equipment newbuilding, specialized shipbuilding, cruise shipbuilding, new materials and special equipment. CM Industry is an indirect wholly-owned subsidiary of CM Group, which is a large integrated state-owned conglomerate directly administrated by the Central Government of the PRC which is principally engaged in core industries such as transportation, finance, comprehensive development and operation of cities and parks and technology and innovation related businesses.

3. The Master Supply and Purchase Agreement

3.1 Reasons for and benefits of entering into the Master Supply and Purchase Agreement

As set out in the Letter from the Board, the sales and procurement of Products will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Supply and Purchase 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.

As the 2022 Master Supply and Purchase Agreement and 2022 Master Vessels Chartering and Management Services Agreement will expire on 31 December 2025, the entering into of the Master Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement will enable the parties to continue with their cooperation, which will create synergies for the parties, and hence is in the interests of the Company and the Shareholders as a whole.

The CM Industry Group is principally engaged in the field of marine equipment maintenance and installation, vessels equipment manufacturing, special shipbuilding and cruise shipbuilding. The Group has years of experience and insight in the field of vessels and platforms operations and relevant high-end equipment. Given the complementary nature of their respective business operations, the Company believes, and we concur that, the principal business of both CM Industry Group and the Group are highly synergistic.

Based on our discussion with the Management, we understand that the Master Supply and Purchase Agreement is a furtherance of the cooperation between the Parties, and the sales and purchase of Products and structural parts and components are mainly utilized towards the construction of offshore platform and vessels, as well as manufacturing of heavy lift cranes, which are part of, or in connection with the Group's principal business activities and are expected to contribute positively to the Group's revenue as well as enhancing the utilization of its assets by carrying out the sales and purchase 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.

In assessing the fairness and reasonableness of the terms of the Master Supply and Purchase Agreement, we have obtained and reviewed not less than ten sales contracts for each of three years ended 31 December 2024, entered into by the Group with CM Industry Group (the "Connected Sales Contracts"), selected on a random basis, and advised by the Company that those Connected Sales Contracts were with specifications of which there were no transactions records of comparable products in the trading database. We noted that the Connected Sales Contracts was secured through open tender therefore we further obtained the (i) relevant internal pricing approval records from the Group and (ii) open tender records showing quotations from other suppliers in the market, we noted that the indicative gross profit margins as recorded on the internal pricing approval records fall within the range from approximately 10% to 20% which was in line with the pricing principles as listed out in the previous circular dated 28 November 2022. Considering that the Connected Sales Contracts reviewed and obtained by us accounted for not less than 50% of the total number of contracts conducted during each of respective three years ending 31 December 2025, and each were determined with reference to the quotations obtained from the open market for services of a same nature and the indicative gross profit margin falls within the applicable range, which is in line with the relevant internal control measures, we consider that the Connected Sales Contracts are representative of prevailing market rates and serve as an appropriate reference.

Having considered that, (i) the importance of securing the relevant materials and components for normal operation of the Group and sales of Products and are beneficial to the Company and the Shareholders as a whole; (ii) the Company's stable and long-term business relationship with CM Industry Group throughout the years and the CM Industry Group is a reliable long-term business partner of the Group; (iii) the pricing policy governing the sales of Products is broadly in line with market standards and conducted on normal commercial terms; (iv) the Master Supply and Purchase Agreement are non-exclusive in nature which offers the Group with flexibilities to conduct business with CM Industry Group; and (v) the transactions under the Master Supply and Purchase Agreement 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 Supply and Purchase 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.

3.2 *Principal terms of the Master Supply and Purchase Agreement*

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

Date	14 November 2025
Effective Period	From the Commencement Date to 31 December 2028 (both days inclusive), terminable by either party giving to the other not less than two (2) months' prior written notice.
Parties	<ol style="list-style-type: none">1. the Company2. CM Industry
Condition precedent	The Master Supply and Purchase Agreement and the transactions contemplated thereunder are conditional upon the approval by the Independent Shareholders at the EGM in accordance with the Listing Rules, if needed.
Nature of transaction	<p>Pursuant to the Master Supply and Purchase Agreement, on a non-exclusive basis, 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.</p> <p>It is agreed that each agreement for the sale and purchase of the Products 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 Supply and Purchase Agreement.</p>

Pricing principles

Pursuant to the terms of the Master Supply and Purchase Agreement, the Products Sales shall be conducted on normal commercial terms, in particular: (i) the Products Sales will be on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) the Products Sales will be conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) the transaction amounts under the Products Sales will not exceed the Products Annual Caps for the term from the Commencement Date to 31 December 2028.

The prices of the Products to be sold by the Group to the CM Industry Group shall be determined by reference to (and in any event no less favourable than) the prices of relevant comparable products 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 basis and on normal commercial terms.

(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 the Product Sales will review and compare the prices of Products offered by the Group to the CM Industry Group with at least two recent transaction records of comparable products offered generally to independent third parties in the trading database of the Group before entering into individual contracts pursuant to the Master Supply and Purchase Agreement.

- (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 20%.

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve the Product Sales 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 Supply and Purchase Agreement.

In the event that (1) the prices of Products 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 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 the Product Sales.

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 as disclosed above.

Payment

The prices for the Products sold to the CM Industry Group shall be payable by the CM Industry Group to the Group in cash based on the terms and conditions agreed by the parties in the individual implementation agreement(s). In general, the credit periods in respect of payments for the Products sold to the CM Industry Group range from 30 to 90 days.

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

3.3 Basis for determining the Annual Caps for the Product Sales under the Master Supply and Purchase Agreement

The table below sets out the historical transaction amounts, the annual caps and the utilization rate for Product Sales for the two years ended 31 December 2023, 2024 and for the year ending 31 December 2025, respectively.

	For the year ended 31 December 2023 (US\$)	For the year ended 31 December 2024 (US\$)	For the year ending 31 December 2025 (US\$)
Historical Products Annual Caps	200,000,000	150,000,000	150,000,000
Transaction amounts for sales of Products	69,900,000	24,400,000	8,800,000 (up to 31 October 2025)
Historical utilization rates	34.95%	16.27%	7.04%* (up to 31 October 2025)

* Based on the estimated annualized transaction amounts with reference to the actual transaction amounts for the period from 1 January 2025 to 31 October 2025.

As shown in the table above, the historical transaction amounts for sales of Products were approximately US\$69.9 million and US\$24.4 million for the year ended 31 December 2023 and 2024 and approximately US\$8.8 million from 1 January 2025 to 31 October 2025, respectively.

As advised by the Management of the Company, the reasons for the relatively low utilisation rate were mainly attributable to saturation of wind power market resulting in the overall slowdown in the offshore vessels and engineering industry, causing intense competition among market participants and a slowdown in launch of new projects, and a gradual decline in the demand of Products related to offshore engineering projects and equipment.

As stated in the Letter from the Board and advised by the Management, in determining the Historical Products Annual Caps, the Company has mainly taken into account the intended demand for 2, 1 and 1 shipset(s) of equipment package for wind power installation platform for the years ended/ending 31 December 2023, 2024 and 2025, respectively. Amongst the 2, 1 and 1 shipset(s) of equipment package for wind power installation platform that were used to determine the Historical Products Annual Caps, supply contract for two shipsets of equipment package have been entered into in 2023 and supply contract for another shipset of equipment package that was expected to be entered into by the end of 2024 were adversely affected due to the changes in industry conditions caused by the saturation of wind power market as mentioned above, that had in turn, resulted in an overall drop in market demand of equipment package shipsets. Such had affected the timing in executing the above shipsets contracts and consequently, contributed to the relatively low historical utilization rates.

We have further discussed with the Management in respect of the delay, since the delay was caused by the abovementioned saturation of wind power market that has resulted in a longer cycle and delayed timeframe for the tendering or negotiations exercises and coordination between various parties involved in the shipbuilding process. The Group is an indirect supplier and belongs to the upstream position of the industrial chain, position of the Company was relatively passive (especially changes in the end-customers' demand). We have further discussed and understood from the Management that, although the Company had a passive role in the projects, the Company had been closely following up with corresponding parties to acquire project progress from time to time.

The table below sets out the proposed Annual Caps for the Products:

	Annual Caps		
	For the year ending 31 December		
	2026	2027	2028
	(US\$)	(US\$)	(US\$)
Products Annual Caps	90,000,000	105,000,000	33,000,000

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

- (i) the general condition of the offshore operations market;
- (ii) the estimated demand for the Products by the CM Industry Group from the Commencement Date to 31 December 2028;
- (iii) the expected selling prices of the Products from the Commencement Date to 31 December 2028;
- (iv) the transaction amounts arising from the delayed recognition of revenue in respect of the product sales under the Existing Master Supply and Purchase Agreement; and
- (v) a buffer for fluctuation of market prices and change in specifications of Products to provide flexibility to the Group.

For further details of the Products Annual Caps, please refer to the Letter from the Board.

In connection to the above, we have obtained an annual cap calculation table that details the basis and assumption of the Annual Caps (“Annual Cap Schedule”). We understand that the estimated demand of the Products were determined based on not less than 16 potential contracts on hand/in negotiations that are expected to be entered into during the three years ending 31 December 2026, 2027 and 2028, with estimated contract amount ranging between US\$0.2 million up to US\$600 million.

We noted that the average Products Annual Caps for the three years ending 31 December 2028 represents a decrease of not less than 50% as compared with the average Historical Products Annual Caps for the three years ended 31 December 2025. Based on our discussion with the Management, we understand that the Group has adopted a prudent approach in determining the Products Annual Caps after taken into account: (i) the actual transaction volume and utilization rate for the Products Sales under the Existing Master Supply and Purchase Agreement; (ii) the anticipated market demand for Products in light of current market conditions and project pipeline visibility; and (iii) the intention to maintain flexibility in resource allocation while ensuring the Products Annual Caps remain at a sufficient level to accommodate market demand.

In addition, we had obtained the (i) list of signed contracts to be commenced in 2026 or 2027; and (ii) list of potential contracts that are under negotiation. We have further 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 of CM Industry Group as shown from the list of signed contracts to be commenced in 2026 or 2027; (ii) the expected selling price of the Products; 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.

Based on the list of signed contracts to be commenced in 2026 or 2027 and our discussion with the Management, considering the saturation of wind power market as mentioned above with the newly signed contracts on hand, the total contract amount representing more than 15% of the proposed annual caps for the Products Sales for the year ending 31 December 2026. We have also obtained the list of signed contracts/potential contracts to be entered and after further discussion with the Management, considering the signed contracts on hand accounted for approximately 17% of the proposed annual caps for the year ending 31 December 2026 and not less than eight potential contracts in negotiation accounted for approximately 73% of the proposed annual caps for the year ending 31 December 2026, with a total accounted for approximately 90% of the proposed annual caps for the year ending 2026 (details of which are listed out in the table below). We therefore are of the view that the proposed annual caps for the Product Sales under the Master Supply and Purchase Agreement are fair and reasonable.

	For the year ending 31 December 2026	Percentage to the Products Annual Caps
Signed contracts on hand	Approximately US\$15 million (equivalent to approximately RMB108 million)	Approximately 17%
Potential contracts in negotiation	Approximately US\$66 million (equivalent to approximately RMB476 million)	Approximately 73%
Buffer of 10% for new potential contract(s) in 2026	Approximately US\$9 million (equivalent to approximately RMB65 million)	Approximately 10%
Total	US\$90 million	100%

Based on our discussion with the Management, as at the Latest Practicable Date, the current status of the aforesaid potential contracts include: (i) eight signed contracts currently on hand with an aggregate amount of approximately US\$15 million and is expected to commence in the first quarter of 2026; and (ii) not less than eight potential contracts in negotiation, including matters on the project nature, product categories, which, based on current negotiation stages, these contracts may commence in 2026 or 2027, depending on the confirmation on contract terms and the time for entering into of the relevant contracts.

Taking into account of the above, in particular, (i) list of signed contracts to be commenced in 2026 or 2027; (ii) list of potential contracts that are under negotiation; (iii) the estimated selling price of such Products based on the specifications required by CM Industry Group; and (iv) the saturation of wind power market lead to the low utilization rate for the Historical Annual Caps, we are of the view that the proposed annual caps under the Master Supply and Purchase Agreement are fair and reasonable as far as the Independent Shareholders are concerned. Nevertheless, the Shareholders are advised that the proposed annual caps under the Master Supply and Purchase Agreement 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.

4. Master Vessels Chartering and Management Services Agreement

4.1 Reasons for and benefits of entering into the Master Vessels Chartering and Management Services Agreement

As set out in the Letter from the Board, the Vessels Chartering and vessels services will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Vessels Chartering and Management Services 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.

As the Existing Master Vessels Chartering and Management Services Agreement will be expired on 31 December 2025, the entering into of the Master Vessels Chartering and Management Services Agreement will enable the Parties to facilitate the continued collaboration between the Parties, which is expected to generate operational synergies for the parties, and hence in the interests of the Company and the Shareholders as a whole.

With a focus on the renewable energy and oil and gas energy industry, the Group is committed to the transformation of offshore renewable energy and green energy technology. Under the Vessels Chartering, the Group will charter vessels or platforms from the CM Industry Group to further develop the Company's business and to strengthen the two-wheel drive strategy of the Group's energy equipment business and energy supply services business (including vessels chartering), in which, possible business models include the Company charters vessels or platforms to third parties. The Vessels Management Services will provide the Company with a stable source of income and cash flow, and will drive the Group's green transformation and the development of its strategic emerging businesses.

As disclosed in the 2025 Interim Report, the Group has successfully obtained orders for multiple sets of wave compensation cranes for cable-laying vessels and scientific research vessels, achieving a breakthrough in orders and opening up new business growth space. As such, it is anticipated that there will be a strong and stable demand for Vessels Chartering and vessels services, particularly as the Group undertakes more engineering and energy infrastructure projects, thereby enhancing the scalability of the Group's offshore operations.

In assessing the fairness and reasonableness of the terms of the Master Vessels Chartering and Management Services Agreement, we have obtained and reviewed six chartering contracts, selected on a random basis, entered into by the Group with independent third parties (the “**Sampled Chartering Contracts**”). We noted that the daily chartering rate was in the range of US\$42,000 per day to US\$78,000 per day. We have obtained and compared the preliminary rate offered by CM Industry Group (“**Connected Chartering Rates**”) and noted that the rate falls within the range from Sampled Chartering Contracts, is no less favourable to the Group than those charged by the Group to the independent third parties for similar transactions, which is in line with the relevant internal control measures of the Company. Given that the Sampled Chartering Contracts in aggregate represents not less than 50% of the number of contracts entered into by the Group with independent third parties during 2023 to 2025 and were provision of the same services with the Connected Chartering Rates, we are of the view the Sampled Chartering Contracts serve as an appropriate and representative reference for the market rates in relation to the provision of chartering services.

Having considered that, (i) entering into of the Master Vessels Chartering and Management Services Agreement will enable the Group in enhancing the scale of the Vessels Chartering and vessels services business; (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; (iii) the importance of securing normal operation of engineering related services as the Vessels Chartering and the provision of vessels services forms part of the Group’s principal operations, and is expected to further enhance the revenue base of the Group; (iv) the pricing mechanism to ensure the relevant price were in line with prevailing market rates and on normal commercial terms; and (v) the transactions under the Master Vessels Chartering and Management Services Agreement 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 Vessels Chartering and Management Services 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.

4.2 Principal terms of the Master Vessels Chartering and Management Services Agreement

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

Date	14 November 2025
Effective Period	From the Commencement Date to 31 December 2028 (both days inclusive), terminable by either party giving to the other not less than two (2) months’ prior written notice.
Parties	1. the Company 2. CM Industry

Condition precedent	<p>The Master Vessels Chartering and Management Services Agreement and the transactions contemplated thereunder are conditional upon the approval of the Independent Shareholders at the EGM in accordance with the Listing Rules, if needed.</p>
Nature of transaction	<p>Pursuant to the Master Vessels Chartering and Management Services Agreement, the Group agrees to (i) charter vessels from the CM Industry Group and (ii) provide Vessels Management Services to the CM Industry Group, on a non-exclusive basis.</p> <p>It is agreed that each agreement for the Vessels Chartering and/or Vessels Management Services will be entered into and be performed separately by the respective subsidiaries and associates 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 Vessels Chartering and Management Services Agreement.</p>
Pricing principles	<p>Pursuant to the terms of the Master Vessels Chartering and Management Services Agreement, the Vessels Chartering and Vessels Management Services shall be conducted on normal commercial terms, in particular: (i) the Vessels Chartering and vessels services will be conducted on terms no less favourable to the Group than prevailing market terms available to or from (as appropriate) independent third parties based on its internal control measures; (ii) the Vessels Chartering and Vessels Management Services will be conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) the transaction amount in respect of the Vessels Chartering and Vessels Management Services will not exceed the Vessels Chartering Annual Caps and the Vessels Management Services Annual Caps (as the case may be) for the period from the Commencement Date to 31 December 2028.</p>

(a) Vessels Chartering

The rates for the Vessels Chartering to be obtained by the Group from the CM Industry Group shall be determined by reference to (and in any event no less favourable than) the relevant comparable prevailing market rates for charter of vessels of comparable quality and type and on arm's length basis and on normal commercial terms.

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve the Vessels Chartering will review and compare the rates for Vessels Chartering offered by the CM Industry Group to the Group with at least two transaction records of comparable vessels chartering offered by the Group to independent third parties in the trading database of the Group before entering into individual implementation agreement in respect of the Vessels Chartering pursuant to the Master Vessels Chartering and Management Services Agreement.

In the event that the rates in respect of the Vessels Chartering provided by the CM Industry Group to the Group are less favourable to the Group than those offered by the Group to independent third parties for comparable vessels chartering of similar quality and type in the trading database of the Group, the Group will not enter into the Vessels Chartering.

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 as disclosed above.

(b) Vessels Management Services

The fees to be charged by the Group for the Vessels Management Services will be determined with reference to the Group's costs of provision of such services plus an earnings before interest and tax ("**EBIT**") margin of no less than 5% The Company has engaged Valor Appraisal & Advisory Limited (the "**Valuer**"), an independent professional valuer who is of the view that the minimum EBIT margin is fair and reasonable, and is comparable with the market rate for vessel management services of comparable type and quality. The minimum EBIT margin is therefore no less favourable than the minimum margin enjoyed by other service providers in the market for comparable services.

Depending on the relevant transaction amounts, a management personnel of the Group authorised to approve the Vessels Management Services will review the fees for the Vessels Management Services provided by the Group to the CM Industry Group before entering into individual contracts in respect of the Vessels Management Services pursuant to the Master Vessels Chartering and Vessels Management Services Agreement to ensure that such fees will be charged on the basis of a margin no less than the minimum EBIT margin as disclosed above.

In the event that the fees in respect of the Vessels Management Services offered to the CM Industry Group by the Group are less favourable to the Group than the fees chargeable on the basis of the above-mentioned minimum EBIT margin, the Group will not enter into the Vessels Management Services.

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 as disclosed above.

The Board has reviewed the fair opinion letter prepared by the Valuer and discussed with the Valuer. The director of the Valuer and person in charge of the fair opinion letter is a Chartered Financial Analyst charterholder, member of CPA Australia, professional member of Royal Institution of Chartered Surveyors, member of the Australasian Institute of Mining & Metallurgy and Registered Business Valuer and has over 17 years' experience in business and asset valuation. The director of the Valuer oversees the business and asset valuation services of the Valuer and has provided a wide range of valuation services to listed companies and private entities in different industries in the PRC, Hong Kong and Singapore and has practical experience in the valuation of offshore drilling units servicing the offshore energy industry. The Valuer is independent of and not connected with the Company and its connected persons. The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer has sufficient experience and the relevant professional qualifications required to perform the evaluation of the fairness and reasonableness of the minimum EBIT margin.

Payment

The fees for the Vessels Chartering shall be payable by the Group to the CM Industry Group in cash based on the terms and conditions agreed by the parties in the individual implementation agreement(s). In general, the fees for the Vessels Chartering will be payable by the Group to the CM Industry Group on a monthly basis.

The fees for the Vessels Management Services shall be payable by the CM Industry Group to the Group in cash based on the terms and conditions agreed by the parties in the individual implementation agreement(s). In general, the fees for the Vessels Management Service shall be payable by the CM Industry Group to the Group within 30 days after the provision of the Vessels Management Service.

Information on Vessels Chartering

Vessels Chartering mainly include obtaining the right to use vessels or platforms from the CM Industry Group in the form of bareboat chartering etc. Vessels Chartering is a part of the vessels assets management business model of the Group, in respect of which the Group will manage and apply valued-added services to assets in its portfolio with a view of further provision of marketable, quality and reliable end products to its customers. The Group will observe market demands and charter vessels or platforms from the CM Industry Group under the Vessels Chartering for further operational management such as maintenance and other ancillary services. The serviced vessels or platforms as end products would be readily marketable and up to the standards and requirements of the customers and relevant governing authorities, which would then be sub-chartered out to customers sourced by the Group. The Group has deep knowledge and established business connections in the highly specialised fields of vessels and platform products and oil and gas exploration and development, which gives the Group access to customers in a distinguishable market.

Information on the Vessels Management Services

Vessels Management Services mainly include ship management services, vessel technical services, material procurement services (such as arranging and supervising dry dockings, repairs, refurbishments, alterations and maintenance work including but not limited to painting, marine fuel, lubricants, stores, spare parts and steel), appointment surveyors, technical consultants and crew supply, vessels repair and maintenance services, vessels agency services, delivery services and other ancillary services for vessels or platforms.

Further details of the principal terms of the Master Vessels Chartering and Management Services Agreement is set out in the Letter from the Board.

The Board has reviewed the fair opinion letter prepared by Valuer in respect of the Vessels Management Services and the underlying methodology, and the Company has discussed with the Valuer in that regard, including but not limited to:

(i) qualification and experience of the Valuer;

The Valuer has sufficient experience and the relevant professional qualifications required to perform the evaluation of the fairness and reasonableness of the minimum 5% EBIT margin. The director of the Valuer and the person in charge of the fair opinion letter is a Chartered Financial Analyst charterholder, member of CPA Australia, professional member of Royal Institution of Chartered Surveyors, member of the Australasian Institute of Mining & Metallurgy and Registered Business Valuer and has over 17 years' experience in business and asset valuation. The Director of the Valuer oversees the business and asset valuation services of the Valuer and has provided a wide range of valuation services to listed companies and private entities in different industries in the People's Republic of China, Hong Kong and Singapore and has practical experience in the valuation of offshore drilling units servicing the offshore energy industry. The Valuer is independent of and not connected with the Company and its connected persons.

(ii) methodology

The Company notes that the Valuer has adopted market approach by making reference to comparable EBIT margins. The Valuer has looked for EBIT margins of vessels management services of offshore drilling units or vessels servicing the offshore energy industry to serve as comparable EBIT margins, making reference to (i) the reference EBIT margin level indicated in the Practical Compliance Guideline 2020/1: Transfer pricing issues related to projects involving the use in Australian Waters of non-resident owned mobile offshore drilling units – ATO compliance approach published by Australian Taxation Office; (ii) the approximate EBIT margins of rigs and vessels management calculated from segment information of two listed companies, which are Valaris Limited and Petra Energy Berhad; and (iii) overview of the nature of the vessels management services.

(iii) assumptions and basis

The Valuer has confirmed that market approach used in assessing the fairness and reasonableness of the minimum EBIT margin is one of the commonly adopted approaches for such type of exercises.

The Valuer has advised that the key assumptions of the engagement are those commonly adopted in similar assessment exercises in the market.

Taking into account the above factors, the Company considers that the approach adopted by the Valuer is common methodologies in assessing the fairness and reasonableness of the minimum EBIT margin and the bases and assumptions adopted by the Valuer are fair and reasonable.

4.3 Basis for determining the Annual Caps for the Vessels Chartering and the Vessels Management under the Master Vessels Chartering and Management Services Agreement

The table below sets out the proposed Annual Caps for (i) Vessels Chartering; and (ii) vessels services for each of three years ending 31 December 2028:

	Annual Caps		
	For the year ending 31 December		
	2026	2027	2028
	(US\$)	(US\$)	(US\$)
Vessels Chartering Annual Caps	62,000,000	30,000,000	52,000,000
Vessels Management Services Annual Caps	650,000	650,000	650,000

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

- (i) the estimated demand for the Vessels Chartering (including the number and specifications of vessels or platforms estimated to be chartered and chartering arrangement (e.g. bareboat charter)) by the Group from the Commencement Date to 31 December 2028 and the period for which the vessels are expected to be chartered;
- (ii) the estimated chartering rates for vessels or platforms from the Commencement Date to 31 December 2028; and
- (iii) a buffer for fluctuation of market rates and change in specifications of vessel(s) or platform(s) to be chartered to provide flexibility to the Group.

On the other hand, the Vessels Management Services Annual Caps were determined by the Company after taking into account:

- (i) the estimated demand for Vessels Management Services by CM Industry Group from the Commencement Date to 31 December 2028 (including the number of vessels and platforms estimated to be serviced and the actual scope of service required under the vessels services required);
- (ii) the estimated rates for the Vessels Management Services from the Commencement Date to 31 December 2028; and
- (iii) a buffer for change in the CM Industry Group's demand for or scope of services required under the Vessels Management Services to provide flexibility to the Group.

For further details of the Vessels Management Annual Caps, please refer to the Letter from the Board.

In connection to the above, from our review of the Annual Cap Schedule, we discussed with and noted that the estimated demand in respect of the Vessels Chartering and vessels services for the year ending 31 December 2026 were determined with reference on the numbers of potential contracts in negotiation of four vessels to be chartered during the year 2026, with contract amount ranging from US\$9.0 million up to US\$23.4 million.

In addition, we had obtained the (i) cost breakdown for each of the potential vessels in negotiation for chartering and management services; and (ii) list of potential vessels that are under negotiation. We have further discussed with the Management the basis adopted by them in determining the Vessels Chartering Annual Caps and the Vessels Management Annual Caps, understanding the difference on the Vessels Chartering Annual Caps and the Vessels Management Annual Caps for the years ending 31 December 2026, 2027 and 2028 is in relation to the proportion of chartering of vessels and vessels management services for each of the year, the four vessels as mentioned above only needed to conduct basic repair and maintenance or inspection before chartering, thus the proportion for vessels management services would be the same for the year ending 31 December 2026, 2027 and 2028. Having considered that (i) intended demand for the vessels chartering and management services of CM Industry Group as shown from the list of potential vessels that are under negotiation; (ii) the chartering price and price of management services expected for each of the vessels; and (iii) the reasons for the change of Vessels Chartering Annual Caps and Vessels Management Annual Caps as mentioned above, we are of the view that such basis thereunder is fair and reasonable.

Based on our discussion with Management, as at the Latest Practicable Date, the current status of the aforesaid potential projects are in the process of finalising the daily chartering rate and the chartering period. Based on current stage of negotiation, the abovementioned three vessels chartering and services are anticipated to commence in the third quarter of 2026 or first quarter of 2027, subject to the actual status of the agreement.

Taking into account of the above, in particular, (i) cost breakdown for each of the potential vessels in negotiation for chartering and management services; (ii) list of potential vessels that are under negotiation and the current status; and (iii) the estimated chartering price and price of management services of the potential vessels in negotiation, we are of the view that the proposed annual caps under the Master Vessels Chartering and Management Services Agreement are fair and reasonable as far as the Independent Shareholders are concerned. Nevertheless, the Shareholders are advised that the proposed annual caps under the Master Vessels Chartering and Management Services Agreement 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.

4.4 The opinion from the Valuer

In consideration the fact that the three potential vessels are not common in the market in respect of the size, functions, technical specifications, capacity, number of personnel on board, etc., the Group had, on their best effort to obtain relevant quotations for similar vessels with similar specifications for management services, but due to the scarcity of the vessels mentioned above in the market, the Group was unable to obtain quotations from independent third parties for the comparison on the pricing for the management services. In order to evaluate the pricing for the management services for the potential vessels, a fair earnings before interest and taxes margin opinion letter were prepared by Valor Appraisal & Advisory Limited, an independent professional valuer (the “Valuer”) that such pricing for the management services are reasonable in the market and on normal commercial terms.

In order to evaluate the basis in determining the fair earnings before interest and taxes margin for the Vessels Chartering and Vessels Management Services, we have reviewed the opinion letter prepared by the Valuer (the “Letter”), and have discussed with the Valuer and Management. We noted that the Valuer has considered the market approach in providing their opinions on EBIT margin.

In preparing their opinions on fair earnings and before interest and taxes margin, the Valuer has also relied on and adopted the following information and assumptions. (some of the key information or assumptions have been extracted and listed out as below):

- (i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the operation of the subject offshore vessels;
- (ii) there will be no major changes in the current taxation laws related to the subject offshore vessels;
- (iii) there will be no material fluctuation of the finance costs and availability of finance related to the subject offshore vessels; and
- (iv) the Group will fulfil all legal and regulatory requirements for the principal businesses.

We have discussed with the Valuer on the background and basis of the fair opinion letter. Given that the uniqueness and specialty of offshore vessels, comparable transactions or information identical or similar to such transaction is not available in public data, with such constraint, the Valuer therefore looked for EBIT margins of vessels management services of other offshore vessels to serve as the comparable EBIT margins for vessels management services. The Valuer has adopted the market approach for the fair opinion letter for the Vessels Management.

In arriving at the opinion of the fairness and reasonableness of the minimum EBIT margin of the Vessels Management Services, the Valuer has adopted market approach by making reference to comparable EBIT margins. Considering the scarcity of public information in relation to the EBIT margin of vessels management services of subject offshore vessels, the Valuer therefore looked for EBIT margins of vessels management services of other offshore vessels to serve as comparable EBIT margins for vessels management services of the subject offshore vessels. After obtaining the comparable EBIT margins, the Valuer adopted market approach to assess the EBIT margins in order to opine on the fairness and reasonableness of the minimum EBIT margin of the Vessels Management Services. As discussed with the Valuer and the Management, we are of the view that the adoption of such valuation methodology is reasonable.

We have obtained and reviewed the comparable EBIT margins adopted by the Valuer, we have further discussed with the Management and the Valuer to understand the reason of selecting other offshore vessels as comparable EBIT margins and given to understand that the other offshore vessels are within the same industry for providing similar management services. In order to opine the fairness and reasonableness of the minimum EBIT margin of no less than 5%, the Valuer further reference to the transfer pricing of offshore vessels for the oil and gas industry with the conclusion that project that has EBIT margin of less than 5% is in the moderate risk or high risk zones in relation to the transfer pricing approach. In order words, with less than 5% EBIT margin may indicate that the profitability of the project is subpar and risk of tax evasion is moderate or high. Therefore the Valuer is of the opinion that the minimum EBIT margin of no less than 5% of the Vessels Management Services is fair and reasonable, and is comparable with the market rate for vessel management services of comparable type and quality. We are of the view that adopting EBIT margins of other offshore vessels as comparable margin is reasonable and acceptable.

In order to further verify the source of information considered in the opinion, we also conducted our own research on the referencing information to cross check the reasonableness of the parameters considered in the Letter. Regarding the EBIT margins of vessels management services of the subject offshore vessels, we have conducted our own research but no relevant information can be identified. We therefore concur with the Valuer that public information regarding the EBIT margins of vessels management services of the subject offshore vessels are scarce and limited and need to use the information regarding EBIT margins of vessels management services of other offshore vessels.

Considering the (i) comparable EBIT margins were higher than 5% and (ii) project that has EBIT margin of less than 5% is in the moderate risk or high risk zones in relation to the transfer pricing approach as mentioned in the Letters, we concur with the Valuer's view and is of the opinion that the EBIT margin of no less than 5% for the Vessels Management Services is fair and reasonable, and is comparable with the market rate for vessel management services of comparable type and quality and is also no less favourable than the minimum margin enjoyed by other service providers in the market for comparable services.

Accordingly, we are of the view that the referencing information considered in the Letter is true and fair and comparable EBIT margins adopted by the Valuer are fair and reasonable so far as the Company and Independent Shareholders are concerned.

Besides, we have discussed with the Valuer in relation to their experiences and understood that Mr. Haydn Lee, the Director of the Valuer and the person in charge of the fair opinion letters, is a Chartered Financial Analyst charterholder, member of CPA Australia, professional member of Royal Institution of Chartered Surveyors, member of the Australasian Institute of Mining & Metallurgy and Registered Business Valuer. He has over 17 years' experience in business and asset valuation. He oversees the business and asset valuation services of the Valuer and has provided a wide range of valuation services to listed companies and private entities in different industries in the People's Republic of China, Hong Kong and Singapore. Given Mr. Lee and the Valuer has plenty of practical experience in the valuation of offshore drilling units servicing the offshore energy industry in Hong Kong and the PRC, we are of the view that he is qualified to provide reliable opinions in the Letter. As discussed with the Valuer, they have no prior relationships with the Group or other parties and connected persons to the Master Vessels Chartering and Management Services Agreement, and we are of the view that the independence and objectivity of the Valuer is fair and equitable in providing opinion in the Letter. We also reviewed the terms of the engagement for providing opinion in the Letters and the scope of work performed by the Valuer is appropriate to give the opinion. Based on the above, we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the assumptions and methodologies adopted for the Letter.

5. Internal control procedures of the Group in respect of the transactions between the Group and the CM Industry Group

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.

As set out in the Letter from the Board, under such internal control measures, the Group maintains a trading database containing selling prices of its Products, rates for the Vessels Chartering 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 and Vessels Chartering provided 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 or service 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/rates and transaction records for products sold and services provided 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 measures are in place so that the Products Sales and Vessels Chartering are conducted on a fair and reasonable basis.

The relevant business units and departments of the Group will monitor and review the prices/rates and terms in respect of the Continuing Connected Transactions regularly in order to ensure that the Continuing Connected 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/from independent third parties. The Company will designate specific personnel from the internal control department to monitor the Continuing Connected Transactions and any irregularities in respect of the Continuing Connected Transactions will be reported to the senior management of the Group in a timely manner.

The Group will also conduct sample internal checks (the "Internal Sample Check") on a quarterly basis to ensure that the internal control measures in respect of the Continuing Connected Transactions remain intact and effective.

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

The Continuing Connected Transactions 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 Continuing Connected Transactions were conducted in accordance with the terms of the Continuing Connected Transactions Agreements, 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 Continuing Connected Transactions Agreements, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the Continuing Connected Transactions: (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 Continuing Connected Transactions Agreements; and (iv) have not exceeded the annual caps set by the Company.

5.1 Our analysis and work performed in relation to the internal control measures

In connection with the above, we have discussed with the Management and understand that, the Group maintains a trading database to assess market prices for the Products and the rates of Vessels Chartering services. Prior to entering into individual transactions, the Company will make use of the information, in particular, the pricing information on the database accumulated through the course of the Group's operations and historical transactions recorded that were entered into by different departments of the Group. In addition to the information obtained through the database, the Group will regularly conduct market research of the prices/rates for the applicable products and services to ensure that the prices aligned with prevailing market conditions, and that the terms are no less favourable to the Group than those available from independent third parties. To ensure the aforesaid is being adhered to, relevant departments and personnel of the Group will continuously monitor and review the pricing terms, and to report any irregularities to the senior management in a timely manner.

In relation to the above, we have obtained and reviewed (i) not less than six sets of internal approval record for each of the Product Sales and Vessels Chartering conducted during the three years ending 31 December 2025, selected on a random basis; (ii) the relevant price comparison and quotations collection documents for each of the aforesaid transactions; (iii) the relevant approval records by various department of the Company prior to entering into each of the individual transactions; and (iv) the latest auditor's report regarding the Continuing Connected Transactions. From our review of the aforementioned documents, we noted that the terms of the aforesaid transactions, in particular the pricing basis and payment terms were determined in accordance with relevant internal control procedures which were being adopted and adhered to by the Group.

We also noted that, pursuant to the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement, any sales and purchase between the Group and CM Industry Group or other relevant vessels services are on a non-exclusive basis, ensuring the terms of the individual transactions to be entered on terms that are fair and reasonable and on normal commercial terms. 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, in particular, (i) segregation of duties among various personnel and departments of the Group for the monitor and maintenance of the trading database, which is designated to ensure that the sales and purchase of products or services are fair and reasonable; (ii) ongoing market benchmarking to ensure the prices aligned with prevailing market standards; (iii) regular internal checks by relevant business units and departments to identify and address any irregularities in respect of the Continuing Connected Transactions; (iv) review by the Group's independent non-executive Directors and independent auditor; and (v) the non-exclusive basis in relation to the sales of products and services, we consider that an adequate and robust internal control measures and pricing mechanisms are in place, and the proper implementation of these internal control policies would ensure the Transactions to be conducted on terms which are fair and reasonable and on normal commercial terms. Accordingly, we are of the opinion that the terms of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

VII. 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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement;
- (ii) the entering into of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole;
- (iii) the terms of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services 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 Products Annual Caps under the Master Supply and Purchase Agreement and the Vessels Chartering Annual Caps under the Master Vessels Chartering and Management Services Agreement 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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Services 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 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 26 years of experience in corporate finance industry.