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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 the Cayman Islands with limited liability)

(Stock Code: 206)

CONTINUING CONNECTED TRANSACTIONS
MASTER SUPPLY AND PURCHASE AGREEMENT

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.

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 date of this announcement, it is therefore a controlling shareholder of the Company. CM Industry is ultimately wholly-owned by CM Group and Fund LP is indirectly controlled by CM Group. Therefore, CM Industry is an associate of CM Group and 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%, each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps), constituted 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 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 FINANCIAL ADVISER

The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreement and the Transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Master Agreement and the Transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps).

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). Therefore, Prime Force Investment Corporation 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.

A circular containing, inter alia, (i) details of the Master Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 November 2020, as more time is needed for the preparation of certain information (including but not limited to financial information) to be included in the circular.

BACKGROUND

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:

THE MASTER AGREEMENT

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 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.
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). 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.

It is 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 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.

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 in the trading database of the relevant Products (together with installation and ancillary services) 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 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 and quality available to the Group from independent third parties. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations offered to the Group by independent third parties for comparable structural parts and other components, and review and compare such data with the prices available to the Group under the Master Agreement.

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	2021	2022
	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
Products Annual Caps	60 million	100 million	100 million
Structural Parts Annual Caps	10 million	16 million	16 million

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 this announcement and each of the years ended 31 December 2018 and 2019 are set out as follows:

	For the	For the	From
	year ended	year ended	1 January
	31 December	31 December	2020 to the
	2018	2019	date of this
	<i>(US\$)</i>	<i>(US\$)</i>	announcement
			<i>(US\$)</i>
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	–	–	–

Basis of the Annual Caps

The Products Annual Caps were determined by the Company after taking into account of (i) the historical supply of the Products (together with installation and ancillary services) to the CM Industry Group; (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 (iii) the expected selling prices of the Products (together with installation and ancillary services) from the Commencement Date to 31 December 2022.

The Structural Parts Annual Caps were determined by the Company after taking into account of (i) the historical demand of structural parts and components by the Group; (ii) the estimated demand for structural parts and components by the Group from the Commencement Date to 31 December 2022; and (iii) the expected selling price of the structural parts and components from the Commencement Date to 31 December 2022.

INTERNAL CONTROL

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 for historical selling prices of its Products (together with installation and ancillary services), which are updated by the Group from time to time.

The Group will monitor and review the prices 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 random 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.

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.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As mentioned in the sub-section headed "The Master Agreement – Pricing principles" of this announcement, 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 CMIC 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, CMIC 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 CMIC, 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 (excluding the independent non-executive Directors who reserved their views pending the advice from the Independent Financial Adviser) 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.

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 date of this announcement, it is therefore a controlling shareholder of the Company. CM Industry is ultimately wholly-owned by CM Group and Fund LP is indirectly controlled by CM Group. Therefore, CM Industry is an associate of CM Group and 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.

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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.

INDEPENDENT FINANCIAL ADVISER

The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Master Agreement and the Transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Master Agreement and the Transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve each of the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps).

As at the date of this announcement, 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). Therefore, Prime Force Investment Corporation 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.

A circular containing, inter alia, (i) details of the Master Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 November 2020, as more time is needed for the preparation of certain information (including but not limited to financial information) to be included in the circular.

DEFINITIONS

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

“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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held, 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 date of this announcement and therefore is a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company 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”	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
“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 announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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 the 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
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of 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 the structural parts and other components for the 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
“%”	percent.

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

Hong Kong, 5 November 2020

As at the date of this announcement, 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.