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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 LEASE FRAMEWORK AGREEMENT

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On 18 May 2021, the Company has entered into the Master Lease Framework Agreement with CM Industry, pursuant to which, the CM Industry Group has agreed to lease certain Premises to the Group for a term commencing on 18 May 2021 and ending on 31 December 2023, subject to the annual caps.

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 also indirectly controlled by CM Group. Therefore, CM Industry is an associate of CM Group and Fund LP and thus a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the annual caps under the Master Lease Framework Agreement for the coming period/years ending 31 December 2023, exceed 0.1% but less than 5%, the transactions contemplated under the Master Lease Framework Agreement are subject to reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lou Dongyang holds position within the CM Industry Group and Mr. Cong Yongjian and Mr. Ren Zhiqiang hold position at Fund LP, each of them has abstained from voting on the Board resolutions in connection with the Master Lease Framework Agreement and the transactions contemplated thereunder.

All relevant percentage ratios in respect of the transaction amounts for the lease(s) entered into by members(s) of the Group as lessee and member(s) of the CM Industry Group as lessor during the period from 1 January 2021 to the date of this announcement are below 0.1%. and the transaction amounts are below HK\$3,000,000.

MASTER LEASE FRAMEWORK AGREEMENT

On 18 May 2021, the Company has entered into the Master Lease Framework Agreement with CM Industry, pursuant to which, the CM Industry Group has agreed to lease certain Premises to the Group for a term commencing on 18 May 2021 and ending on 31 December 2023, subject to the annual caps.

The principal terms of the Master Lease Framework Agreement are as follows:

Date

18 May 2021 (after trading hours)

Parties

1. CM Industry
2. the Company

Subject Matter

Pursuant to the Master Lease Framework Agreement, the CM Industry Group has agreed to lease certain Premises to the Group, including but not limited to office premises and production facilities and Plants, on a non-exclusive basis.

Pursuant to the Master Lease Framework Agreement, members of the Group and members of the CM Industry Group will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions in respect of the relevant Premises leased thereunder.

Term

The Master Lease Framework Agreement is for a term commenced from 18 May 2021 and ending on 31 December 2023 (both days inclusive).

Upon expiry, the Master Lease Framework Agreement may, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Rental and Pricing Policies

The terms of all Leases shall be based on the prevailing market prices, negotiated on an arm's length basis and shall be fair and reasonable.

The relevant market prices and terms are to be determined by reference to at least two records of rental information gathered by the Group of certain comparable premises of similar specifications, size and nature in the vicinity of the Premises to ensure that the terms offered by the CM Industry Group would not be less favourable to the Group than those offered by independent third parties.

A management personnel of the Group authorised to approve such transactions will review and compare the prices and terms in respect of the Leases with the relevant market prices and terms with reference to the rental information gathered by the Group of certain comparable premises of similar specifications, size and nature in the vicinity of the Premises before entering into individual contracts pursuant to the Master Lease Framework Agreement.

In the event that the prices or terms in respect of Leases available to the Group are less favourable than the relevant market prices and terms, the Group will not enter into such Leases. The Group will at its best effort further negotiate with the CM Industry Group for more favourable terms in order to comply with the pricing principles of the Company disclosed above.

Payment

The rentals under the Master Lease Framework Agreement are payable in cash according to the individual implementation agreements, which will be funded by the Group's internal resources.

PROPOSED ANNUAL CAPS

According to HKFRS 16 “Leases”, the Group is required to recognize a right-of-use asset and a lease liability, which are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate in the year of entering into the lease where the Group acts as a lessee. The transactions contemplated under the Master Lease Framework Agreement will be recognized as the acquisitions of right-of-use assets and the Group is required to set annual caps on the total value of right-of-use assets relating to Leases to be entered into by the Group as a lessee in each period/year under the Master Lease Framework Agreement.

Set out below are the annual caps, which represent the total value of right-of-use assets relating to Leases to be entered into by the Group in each year under the Master Lease Framework Agreement, for the period/years ending 31 December 2021, 2022 and 2023:

	For the period/year ending 31 December		
	2021	2022	2023
	(HK\$)	(HK\$)	(HK\$)
Annual caps	10,000,000	10,000,000	10,000,000

The Directors have taken into account the following factors in determining the annual caps:

- (a) the expected market rental of the Premises planned to be leased under the Master Lease Framework Agreement during the coming period/years ending 31 December 2023;
- (b) expected Leases for the office premises and production facilities expected to be used during the coming period/years ending 31 December 2023;
- (c) the potential fluctuation in the exchange rate of RMB and other foreign currencies against HK\$;
- (d) the potential fluctuation in market rental as affected by the general property market condition in the location of the Premises to be leased by the Group; and
- (e) a buffer for the possible demand of the Group for new Leases for its business or operations.

INTERNAL CONTROL MEASURES

In order to ensure that the pricing policies as contained in the Master Lease Framework Agreement and the annual caps are complied with, the Company has adopted the following internal control measures:

- (i) the Group will keep track of the market rental and terms in future and gather rental information gathered by the Group of certain comparable premises of similar specifications, size and nature in the vicinity of the Premises, for the purpose of ensuring that the prices and terms for the Leases will be based on prevailing market terms and be no less favourable to the Company than those offered by other independent third-parties to the Company;
- (ii) the relevant business units and departments of Group will regularly monitor and review the prices of and terms of the Leases in order to ensure that the Leases 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;
- (iii) the Company will designate specific personnel from the internal control department to monitor the Leases 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 regular internal checks on a quarterly basis to ensure that the internal control measures in respect of the transactions under the Master Lease Framework Agreement remain intact and effective;
- (iv) the Company's external auditors will review the transactions under the Master Lease Framework Agreement annually to check and confirm (among others) whether the pricing policies have been adhered to, whether the transactions were conducted in accordance with the Master Lease Framework Agreement and whether the relevant annual caps have been exceeded; and
- (v) the independent non-executive Directors will review the transactions under the Master Lease Framework Agreement annually to check and confirm whether such Leases have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the Master Lease Framework Agreement governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such Leases are conducted in accordance with the pricing policies set out in the Master Lease Framework Agreement.

REASONS FOR AND BENEFITS OF THE MASTER LEASE FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

The Group anticipates its demand for certain Leases to satisfy the future business and operational needs of the Group from time to time, which may include Leases of office premises and production facilities. The Company is of the view that the Leases under the Master Lease Framework Agreement will benefit the Group by (i) saving rental payment by the Company, such that both the Group and the CM Industry Group can enjoy economies of scale and maximise cost efficiency; and (ii) providing the Group with stable and successive premises based on fair and reasonable terms for its operations and business.

The terms and conditions provided by the CM Industry Group in relation to the Leases would be determined with reference to prevailing market prices and terms and no less favourable to the Group than those provided by independent third parties.

The Directors (including the independent non-executive Directors) are of the opinion that the Master Lease Framework Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Group

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.

Information on CM Industry

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. The ultimate beneficial owner of CM Industry is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Board”	the board of directors of the Company
“CM Group”	China Merchants Group Limited* (招商局集團有限公司), a company established 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

“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
“Directors”	the directors of the Company
“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
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leases”	the leases which may be entered into by the Group with the CM Industry Group under the Master Lease Framework Agreement from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Framework Agreement”	the master lease framework agreement dated 18 May 2021 entered into between the Company and CM Industry in respect of the leasing of certain premises by the CM Industry Group to the Group
“PRC”	the People’s Republic of China
“Premises”	the premises to be leased by the Group from the CM Industry Group under the Leases

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 18 May 2021

As of 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. Ren Zhiqiang; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.

* *for identification purpose only*