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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 206)**

### (1) CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY AND PURCHASE AGREEMENT; AND MASTER VESSELS CHARTERING AND MANAGEMENT SERVICES AGREEMENT; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

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Capitalised terms used in this cover page have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 28 of this circular.

A notice convening the EGM to be held at the Company's principal place of business in Hong Kong at Room A, 31/F., Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, N.T. Hong Kong on Thursday, 15 December 2022 at 10:00 a.m. or any adjournment thereof is set out on pages 75 to 77 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed.

Whether or not you propose to attend the EGM you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on Tuesday, 13 December 2022) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

#### PRECAUTIONARY MEASURES FOR THE EGM

In accordance with health advice recommended by the Centre for Health Protection, please refer to the notice of the EGM for precautionary measures being taken to prevent and control the spread of the coronavirus disease (COVID-19) at the EGM, including:

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

Any attendee who does not comply with the precautionary measures or is subject to quarantine, with any flu-like symptoms, who has had close contact with any person under quarantine shall not be permitted to enter the venue. All Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person. Shareholders may contact the Investor Relations Department of the Company for questions to management.

28 November 2022

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM INDEPENDENT BOARD COMMITTEE</b> .....	29
<b>LETTER FROM INDEPENDENT FINANCIAL ADVISER</b> .....	31
<b>APPENDIX – GENERAL INFORMATION</b> .....	70
<b>NOTICE OF EGM</b> .....	75

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## DEFINITIONS

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

“2020 Master Supply and Purchase Agreement”	the master supply and purchase agreement entered into between the Company and CM Industry on 5 November 2020, details of which are set out in the Company’s announcement dated 6 November 2020 and circular dated 14 December 2020
“Announcement”	the announcement of the Company dated 18 October 2022 in relation to the Sales and Procurement and Vessels Services
“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 regulated and directly managed 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 indirect wholly-owned subsidiary of CM Group
“CM Industry Group”	CM Industry and its subsidiaries, other than the Group
“Commencement Date”	1 January 2023, subject to the fulfillment of the conditions precedent under the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement (as the case may be)
“Company”	CMIC Ocean En-Tech Holding Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 206)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider, and if thought fit, approve (i) the Master Supply and Purchase Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Chartering (including the Vessels Chartering Annual Caps) and the Vessels Management Services (including the Vessels Management Annual Caps) contemplated thereunder
“Group”	the Company and its subsidiaries
“Historical Products Annual Caps”	the maximum amount payable by CM Industry to the Company for sales of products for each of the years ended 31 December 2020 and 31 December 2021 and the year ending 31 December 2022 under the 2020 Master Supply and Purchase Agreement
“Historical Structural Parts Annual Caps”	the maximum amount payable by the Company to CM Industry for the purchase of the structural parts and other components for each of the years ended 31 December 2020 and 31 December 2021 and the year ending 31 December 2022 under the 2020 Master Supply and Purchase Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors formed to consider the terms of (i) the Master Supply and Purchase Agreement and the Sales and Procurement contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Master Supply and Purchase Agreement and the Sales and Procurement contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services contemplated thereunder
“Independent Shareholders”	Shareholders other than CM Industry and its associates

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## DEFINITIONS

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“independent third party(ies)”	a person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company
“Latest Practicable Date”	22 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply and Purchase Agreement”	the master supply and purchase agreement entered into between the Company and CM Industry on 18 October 2022 in relation to the Product Sales and the Structural Parts Procurement
“Master Vessels Chartering and Management Services Agreement”	the master vessels chartering and management services agreement entered into between the Company and CM Industry on 18 October 2022 in relation to the Vessels Chartering and Vessels Management Services
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	equipment used on various offshore platforms and vessels including power control package, jacking system, deck crane, BOP handling and transport system, burner boom, mechanical handling system, CTU, cantilever and drillfloor equipment, gangway and other related individual equipment and systems; rack and chord cutting projects; other material processing projects; new energy equipments; technical services; and design, engineering and other related consulting services etc.
“Products Annual Caps”	the maximum amount payable by CM Industry to the Company for the sales of the Products for the each of the years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Master Supply and Purchase Agreement
“Product Sales”	the sale of the Products by the Group to the CM Industry Group as contemplated under the Master Supply and Purchase Agreement
“Sales and Procurement”	the Product Sales and the Structural Parts Procurement
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structural Parts Annual Caps”	the maximum amount payable by the Company to CM Industry for the purchase of the structural parts and other components for each of the years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Master Supply and Purchase 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 Supply and Purchase Agreement
“US\$”	US dollars, the lawful currency of the United States of America
“Valuer” or “Valor”	Valor Appraisal & Advisory Limited, being an independent professional valuer engaged by the Company for the assessment of, amongst others, the fairness and reasonableness of the minimum EBIT margin in relation to the Vessels Management Services
“Vessels Chartering Annual Caps”	the maximum transaction amount for Vessels Chartering for each of the years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Master Vessels Chartering and Management Services Agreement
“Vessels Chartering”	the chartering of offshore engineering and other related vessels in the form of bareboat chartering etc. from the CM Industry Group by the Group under the Master Vessels Chartering and Management Services Agreement
“Vessels Management Annual Caps”	the maximum transaction amount for Vessels Management Services for each of the years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Master Vessels Chartering and Management Services Agreement
“Vessels Management Services”	the vessels management services to be provided by the Group to the CM Industry Group under the Master Vessels Chartering and Management Services Agreement, including vessel 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, stores, lubricants, spare parts and steel), appointing surveyors, technical consultants and crew supply, vessels repair and maintenance services, ship agency service, delivery service, and other ancillary services for offshore engineering or relevant vessels
“Vessels Services”	the Vessels Chartering and the Vessels Management Services
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Jiang Bing Hua (*Chief Executive Officer*)  
Mr. Zhang Menggui, Morgan

*Non-executive Directors:*

Mr. Lou Dongyang (*Chairman*)  
Mr. Wang Jianzhong  
Ms. Fu Rui  
Mr. Liu Jiancheng  
Mr. Huang Jin  
Mr. Mei Xianzhi

*Independent non-executive Directors:*

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

*Registered office:*

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

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

Room A, 31/F., Tower 2  
Kowloon Commerce Centre,  
No. 51 Kwai Cheong Road,  
Kwai Chung, N.T.  
Hong Kong

28 November 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
MASTER SUPPLY AND PURCHASE AGREEMENT; AND  
MASTER VESSELS CHARTERING AND MANAGEMENT  
SERVICES AGREEMENT;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

Reference is made to the Announcement in relation to (i) the Master Supply and Purchase Agreement and each of the Product Sales and the Structural Parts Procurement contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Chartering and the Vessels Management Services contemplated thereunder.

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## LETTER FROM THE BOARD

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The primary purpose of this circular is to provide you with, among other matters, (1) details of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (4) a notice of the EGM; and (5) other information in relation to the Company as required under the Listing Rules.

### MASTER SUPPLY AND PURCHASE AGREEMENT

#### Background

Reference is made to the announcement of the Company dated 6 November 2020 and the circular of the Company dated 14 December 2020 in relation to the 2020 Master Supply and Purchase Agreement entered into between the Company and CM Industry on 5 November 2020 and the continuing connected transactions contemplated thereunder.

As the 2020 Master Supply and Purchase Agreement will be expired on 31 December 2022, on 18 October 2022 (after trading hours), the Company entered into the Master Supply and Purchase Agreement with CM Industry, pursuant to which the Group will purchase structural parts and other components from and sell Products to the CM Industry Group, effective from the Commencement Date to 31 December 2025.

#### Principal Terms

Particulars of the Master Supply and Purchase Agreement are set out as follows:

Date:	:	18 October 2022
Effective period	:	From the Commencement Date to 31 December 2025 (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 " <b>Party</b> " and collectively, the " <b>Parties</b> ")
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.



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## LETTER FROM THE BOARD

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Nature of transaction : Pursuant to the Master Supply and Purchase Agreement, on a non-exclusive basis, (i) CM Industry (on behalf of itself and its subsidiaries) agrees to sell, and the Company (on behalf of itself and its subsidiaries) agrees to purchase, structural parts and other components; and (ii) 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.

It is agreed that each agreement for the sale and purchase of Products 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 Supply and Purchase Agreement.

Pricing principles : Pursuant to the terms of the Master Supply and Purchase Agreement, the Sales and Procurement shall be conducted on normal commercial terms, in particular: (i) the Sales and Procurement will be on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties based on its internal control measures; (ii) the Sales and Procurement 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 under the Sales and Procurement 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 2025.

**(a) Product Sales**

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 to) 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 normal commercial terms.

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## LETTER FROM THE BOARD

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

Depending on the relevant transaction amounts, the 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 in respect 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, the 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.

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## LETTER FROM THE BOARD

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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.

**(b) *Structural Parts Procurement***

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

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

- The Company will obtain at least two price quotations for structural parts and other components of similar type, quantity and quality from qualified suppliers.

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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.

### Proposed Annual Caps

The proposed annual caps for the Products Sales and the Structural Parts Procurement under the Master Supply and Purchase Agreement for each of the years ending 31 December 2023, 2024 and 2025 are set out as follows:

	For the year ending 31 December		
	2023	2024	2025
	(US\$)	(US\$)	(US\$)
Products Annual Caps	200 million	150 million	150 million
Structural Parts Annual Caps	35 million	30 million	30 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 Annual Caps

The annual caps for the sale of products and procurement of structural parts and components under the 2020 Master Supply and Purchase Agreement for each of the years ended 31 December 2020 and 2021 and the year ending 31 December 2022 are set out as follows:

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

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## LETTER FROM THE BOARD

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### Historical transaction amounts

The historical transaction amounts in respect of the sale of products and procurement of structural parts and other components for each of the years ended 31 December 2020 and 2021 and the period from 1 January 2022 to the date of the Announcement are set out as follows:

	For the year ended 31 December 2020 (US\$)	For the year ended 31 December 2021 (US\$)	From 1 January 2022 to the date of the Announcement (US\$)
Transaction amounts for sale of products	563,000	1,157,000	6,402,000
Transaction amounts for procurement of structural parts and other components	-	-	-

As disclosed in the announcement of the Company dated 6 November 2020 and the circular of the Company dated 14 December 2020, the Historical Products Annual Caps were determined by the Company after taking into account, among other things, the general condition of the offshore wind power and other platforms market and the estimated demand for the products by the CM Industry Group; and the Historical Structural Parts Annual Caps were determined by the Company after taking into account, among other things, the estimated demand for structural parts and other components by the Group, which was estimated with reference to the proposed demand for heavy lift cranes from the CM Industry Group.

In determining the Historical Products Annual Caps, the Company has mainly taken into account the intended demand for 1, 3 and 3 shipsets of equipment package for wind power installation platform for the years ended/ending 31 December 2020, 2021 and 2022, respectively. Generally, the development and building of offshore platforms and vessels involve ship-owners and shipyards entering into shipbuilding contracts, and shipyards purchasing raw materials and parts for building vessels from suppliers. Before entering shipbuilding contracts for new offshore platforms, coordination among various parties, including but not limited to ship-owners, ship-owner's agents and shipyard's agents, ship-owner's financiers and shipyard's financiers, ship designers, ship classification societies, key equipment suppliers and insurance companies etc. and finalization of terms of cooperation are required. Ship-owners had generally sourced shipyards through public tendering or competitive negotiations, which had taken longer than the original timetable that CM Industry had expected. The unprecedented outbreak of COVID-19 in the past years had also affected the initiation time and schedule of ship-building projects. It was also more challenging and time-consuming for ship-owners to negotiate and obtain shipping financings from financiers. Due to the delay experienced by various parties involved in the shipbuilding process (including the delay in initiation of ship-building project by ship-owners), there was a corresponding delay in the building schedule of the CM Industry Group's offshore wind power installation and other platforms and consequently a delay in the demand for the Group's products from the CM Industry Group under the 2020 Master Supply and Purchase Agreement. As the products are generally products of high value with a long production cycle, the delay or any unforeseeable changes in the negotiation of potential orders for such products would have a significant impact on the actual utilization of the Historical Products Annual Caps. The delivery period for shipset of jacking system and equipment such as heavy lift cranes generally ranges from 9 to 14 months and the selling price for such ship-sets ranges from approximately RMB200 million to RMB300 million.

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## LETTER FROM THE BOARD

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The delay or unexpected changes in purchase orders of the products from the CM Industry Group under the 2020 Master Supply and Purchase Agreement has resulted in a significant delay in the actual recognition of revenue by the Company. For example, the Group had entered into a supply contract for a ship-set of equipment package which includes jacking system, heavy-lift cranes and electrical control system in December 2021 with a contract sum of approximately RMB263 million for a 1,600 tons of offshore wind power installation platform, which was originally planned to take place in the beginning of 2021. As the equipment included in the package will be delivered in end of 2022 and the first half of 2023, the relevant revenue may only be recognized in the second half of 2022 and the first half of 2023, respectively, and will accordingly fall under the annual caps for 2022 and 2023. Due to the delay and changes described above, amongst the 1, 3 and 3 shipset of equipment package for wind power installation platform that were used to determine the Historical Products Annual Caps, supply contract for one shipset of equipment package have been entered into in 2021 and supply contract for another shipset of equipment package is expected to be entered into by the end of 2022. As a result, there was a relatively substantial difference between the historical transaction amounts for the sale of products under the 2020 Master Supply and Purchase Agreement and the Historical Products Annual Caps.

As structural parts and other components are mainly used in the manufacture of heavy lift cranes to meet the orders of the CM Industry Group, in determining the Historical Structural Parts Annual Caps, the Company has taken into account the expected requirements of heavy lift cranes and the structural parts and other components required in the manufacture of each heavy lift crane produced by the Company. In view of the delay in the demand for the products by the CM Industry Group, it also led to a corresponding delay in the demand for structural parts and other components of the Company. As a result, there was a relatively significant difference between the historical transaction amounts for the procurement of structural parts and other components and the Historical Structural Parts Annual Caps.

### **Basis of the Proposed Annual Caps**

#### ***The Products Annual Caps***

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

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

The Company observed a trend in the development of offshore wind power installation platforms and expects that the CM Industry Group will continue to receive orders for the construction of offshore wind power installation platforms. The Company has been selected as a qualified supplier of large and medium-sized cranes, electronic control systems and jacking system equipment packages and platform leg material processing. The Company expects to continue to sell the Products to CM Industry for installation on its wind power installation platforms.

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## LETTER FROM THE BOARD

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*(ii) the estimated demand for the Products by the CM Industry Group from the Commencement Date to 31 December 2025*

The Company has mainly taken into account the intended demand for the delivery of 2, 1 and 1 shipset(s) of equipment packages for wind power installation platforms for the years ending 31 December 2023, 2024 and 2025, respectively, based on internal resources available. In addition, the Company will also develop and generate sales of new products for vessel packages such as offshore support vessels. The Group is also developing new Products such as gangway systems and cranes for offshore support vessels and platform supply vessels which are expected to be available for sale in 2023. Reference is made to the announcement of the Company dated 18 July 2022 in relation to the obtaining of a license in relation to a 3D active motion compensated gangway system. As such new Products are high-end products associated with highly specialized technological capabilities, the Group estimates that there will be demand for such Products in the PRC market. In projecting the total sales of the Products to the CM Industry Group, the Company has also considered the amount of past transactions in relation to individual products of other types of platforms sold to other independent third party customers for the Products.

*(iii) the expected selling prices of the Products from the Commencement Date to 31 December 2025*

In determining the expected selling prices of the Products, the Company had made reference to the specifications of Products required by CM Industry Group, the prices of such Products in the trading database of the Company and relevant market prices of such Products. It is expected that the selling prices of such equipment packages for wind power installation platforms will be determined based on the specifications required by CM Industry Group and relevant market price of such products would range from approximately RMB200 million to RMB350 million.

*(iv) the transaction amounts in respect of the Product Sales under the 2020 Master Supply and Purchase Agreement to be recognized in the accounts of the Company*

As disclosed in the sub-section headed “Master Supply and Purchase Agreement – Historical transaction amounts” in this circular, due to a delay in the demand for the Products and unexpected changes in the orders from the CM Industry Group under the 2020 Master Supply and Purchase Agreement, there is also a delay in the actual recognition of revenue by the Company. Therefore, the Company has also considered the transaction amount for sale of products under the 2020 Master Supply and Purchase Agreement to be recognized after the Commencement Date in determining the Products Annual Caps. As at 31 October 2022, the Company had received orders for Products which will bring to the Group revenue of approximately RMB234 million and is in negotiation and is expected to entered into supply contracts for Products which is estimated to bring to the Group revenue of approximately RMB922 million in the end of 2022 and the first half of 2023. Such Products are expected to be delivered in 2023 and the revenue in relation thereto is expected to be recognized in 2023.



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## LETTER FROM THE BOARD

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### ***The Structural Parts Annual Caps***

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

- (i) *the estimated demand for structural parts and other components by the Group from the Commencement Date to 31 December 2025*

The Company had considered the intended demand of 2, 1 and 1 heavy lift cranes from the CM Industry Group during the years ending 31 December 2023, 2024 and 2025.

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

- (iii) *the estimated buffer of 10% for fluctuation of market prices and change in specification to provide flexibility to the Group*

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

- (iv) *the transaction amounts in respect of the Structural Parts Procurement under the 2020 Master Supply and Purchase Agreement to be recognized in the accounts of the Company*

As disclosed in the sub-section headed “Master Supply and Purchase Agreement – Historical transaction amounts” in this circular, in view of the delay in the demand for structural parts of the Company under the 2020 Master Supply and Purchase Agreement, there is also a delay in the payment to be actually recognized by the Company. Therefore, the Company has also considered the transaction amount for the purchase of structural parts and other components under the 2020 Master Supply and Purchase Agreement to be recognized after the Commencement Date in determining the Structural Parts Annual Caps

### **MASTER VESSELS CHARTERING AND MANAGEMENT SERVICES AGREEMENT**

On 18 October 2022 (after trading hours), the Company entered into the Master Vessels Chartering and Management Services Agreement with CM Industry, pursuant to which the Group will charter vessels from the CM Industry Group and provide Vessels Management Services to the CM Industry Group, effective from the Commencement Date to 31 December 2025.

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## LETTER FROM THE BOARD

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### Principal Terms

Particulars of the Master Vessels Chartering and Management Services Agreement are set out as follows:

Date:	:	18 October 2022
Effective period	:	From the Commencement Date to 31 December 2025 (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	:	The Master Vessels Chartering and Management Services Agreement and the transactions contemplated thereunder are conditional upon the approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.
Nature of transaction	:	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.

It is agreed that each agreement for Vessels Chartering and/or Vessels Management Services 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 Vessels Chartering and Management Services Agreement.

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## LETTER FROM THE BOARD

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Pricing principles : 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 Management 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 Annual Caps (as the case may be) for the period from the Commencement Date to 31 December 2025.

**(a) *Vessels Chartering***

The rates for 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 to) the relevant comparable prevailing market rates for vessels charter of comparable quality and type and on arm's length basis and normal commercial terms.

Depending on the relevant transaction amounts, the 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.

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## LETTER FROM THE BOARD

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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 an independent professional valuer (i.e. Valor) 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, the 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 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 available to the CM Industry Group from 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.

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## LETTER FROM THE BOARD

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### **The Board's assessment on the Valuer's work**

The Board has reviewed the fair opinion letter prepared by Valor 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 charterholder of Chartered Financial Analyst, 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 14 years' experiences 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 experiences 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 servicing the offshore energy industry to serve as comparable EBIT margins, making reference to (i) the EBIT margins of vessels management services of two offshore drilling units from the monthly management accounts of TSC Offshore Corporation; (ii) 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; and (iii) reference EBIT margin of the management services on rigs segment of a market comparable company.

#### **(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.

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## LETTER FROM THE BOARD

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### Proposed Annual Caps

The proposed annual caps for the Vessels Chartering and the Vessels Management Services under the Master Vessels Chartering and Management Services Agreement for each of the years ending 31 December 2023, 2024 and 2025 are set out as follows:

	For the year ending 31 December		
	2023 (US\$)	2024 (US\$)	2025 (US\$)
Vessels Chartering Annual Caps	19 million	26 million	30 million
Vessels Management Annual Caps	40 million	23 million	21 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.

### Basis of the Proposed Annual Caps

There was no historical transaction amount for the Vessels Services between the Group and the CM Industry Group.

### *The Vessels Chartering Annual Caps*

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

- (i) *the estimated demand for Vessels Chartering (including the number and specifications of vessels estimated to be chartered and chartering arrangement (e.g. bareboat charter)) by the Group from the Commencement Date to 31 December 2025 and the period for which the vessels are expected to be chartered*

The Company has taken into account the estimated demand of four offshore engineering and related vessels to be chartered in the form of bareboat charter by the Group in each year. For each of the transaction under the Vessels Chartering, the vessels are generally expected to be chartered for a period of one to three years. The Company has through discussions with its customers and market research and analysis identified a strong growth in demand for offshore oil and gas engineering vessels due to a shortage in supply of such offshore oil and gas engineering vessels and the recovery in price of crude oil. The Group has deep knowledge and established business connections in the highly specialised fields of offshore engineering platform products and oil and gas exploration and development, which gives the Group access to independent clients in a highly distinguishable market who has specific demands in offshore oil and gas engineering vessels. The Company is in negotiation with and estimates that there will be demand for four oil and gas engineering vessels from its customers. Based on such demand and interest from customers, the Group estimates that four vessels will be chartered from the CM Industry Group on a bareboat charter basis under the Vessels Chartering, followed by valued-added maintenance and management services carried out by the Group, and then finally sub-chartering out to independent third party customers.

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## LETTER FROM THE BOARD

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(ii) *the estimated chartering rates for vessels from the Commencement Date to 31 December 2025*

In determining the estimated market chartering rates for vessels, the Company had made reference to the specifications and chartering arrangement (e.g. bareboat charter) in respect of vessels estimated to be chartered, the transaction records of Vessels Chartering in the trading database of the Company and the chartering rates of the vessels of comparable type and quality to be chartered.

### ***The Vessels Management Annual Caps***

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

(i) *the estimated demand for Vessels Management Services by the CM Industry Group from the Commencement Date to 31 December 2025 (including the number of vessels estimated to be under management and the package of Vessels Management Services required)*

The Company has taken into account four vessels estimated to be under management under the Vessels Management Services and the package of Vessels Management Services required (including but not limited to the specifications, age, maintenance conditions of the vessels estimated to be under management and other services required by the CM Industry Group). During the negotiation between the Group and the CM Industry Group, the Company understands that the charter of three units of the CM Industry Group's offshore engineering vessels has recently ended, and it is the CM Industry Group's intention to have such vessels maintained, repaired and managed by the Group under the Vessels Management Services. In addition, another offshore engineering vessel is currently under construction at the CM Industry Group's shipyard and the Company and CM Industry Group are in discussion for such vessel to be placed under the management of the Group under the Vessels Management Services.

(ii) *the estimated rates for the Vessels Management Services from the Commencement Date to 31 December 2025*

The Company has considered the indicative costs for the provision of the Vessels Management Services and the estimated rates to be charged by the Group after taking into account the EBIT margin of 5%.

### **INFORMATION ON THE PRODUCTS**

Pursuant to separate agreements to be entered into between members of the Group and members of the CM Industry Group under the Master Supply and Purchase Agreement, a wide range of Products, including equipment used on various offshore platforms and vessels including power control package, jacking system, deck crane, BOP handling and transport system, burner boom, mechanical handling system, CTU, cantilever and drillfloor equipments, gangway and other related individual equipment and systems; rack and chord cutting projects; other material processing projects; new energy equipments; technical services; and design, engineering and other related consulting services etc., will be sold on a non-exclusive basis. The proceeds from the Product Sales will constitute operating revenue of the Group.

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## **LETTER FROM THE BOARD**

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### **INFORMATION ON STRUCTURAL PARTS AND OTHER COMPONENTS**

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

### **INFORMATION ON VESSELS CHARTERING**

Vessels Chartering mainly include obtaining the right to use offshore engineering or relevant vessels 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 from the CM Industry Group under the Vessels Chartering for further operational management such as maintenance and other ancillary services. The serviced oil and gas engineering vessels 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 offshore engineering platform products and oil and gas exploration and development, which gives the Group access to customers in a distinguishable market.

As at the Latest Practicable Date, the Company has chartered out four units of offshore engineering vessels. Two units are operating in the Gulf of Mexico on charter contracts to a Mexican company which operated the two units on contract with Pemex. Additionally, the Company has also chartered out another two units of offshore engineering vessels to a company operating in the United Arab Emirates which operated the two units on contract with the Abu Dhabi National Oil Company.

### **INFORMATION ON THE VESSELS MANAGEMENT SERVICES**

The Group will provide a wide range of Vessels Management Services as a comprehensive and one-stop solution for its customers for a service fee generally chargeable annually. The Group will carry out functions before, during and after the vessel's operation. 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), appointing surveyors, technical consultants and crew supply, vessels repair and maintenance services, vessels agency services, delivery services and other ancillary services for offshore engineering or relevant vessels. The Group has a core team with relevant experience, qualifications and expertise in vessels management, including asset manager, engineering manager, offshore engineers in multiple disciplines (mechanical, electrical, hydraulics, etc.), offshore service technicians, legal and commercial manager and other supporting staff. As at the Latest Practicable Date, the Group has four offshore engineering vessels under management.



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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

The Company was incorporated in the Cayman Islands with limited liabilities. The Group is principally engaged in 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.

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 in turn is regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AND PROCUREMENT AND THE VESSELS SERVICES

The Sales and Procurement and Vessels Services will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Supply and Purchase Agreement and 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 2020 Master Supply and Purchase Agreement will expire on 31 December 2022, the Parties intend to continue the cooperation between the Parties. As the cooperation between the Group and CM Industry will create synergies for the Parties, the Directors considered that the entering into of the Master Supply and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

The business of the CM Industry Group is mainly in the field of marine equipment maintenance and installation, offshore engineering equipment manufacturing, special shipbuilding and cruise shipbuilding. The Group has years of experience and insight in the field of offshore engineering and high-end equipment for offshore wind power installation platform. Therefore, the Company believes that the principal business of both CM Industry Group and the Group are highly synergistic.

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## LETTER FROM THE BOARD

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The Directors expect that, in respect of the Sales and Procurement, on one hand, the high-end offshore engineering equipment manufactured by the Company has the proprietary intellectual property rights in the PRC, and it can continue to cooperate with CM Industry to break through in the procurement of key materials by reducing the reliance on imported equipment, targeting the development of product markets in China that face technological bottlenecks. On the other hand, by cooperating with CM Industry, the Group will be able to deeply embed its products into the products of the CM Industry Group, so as to apply on more fields, continue to enhance its market share and influence and strengthen cooperation between enterprises, achieving a win-win situation for both parties. At the same time, supply and purchase will expand the operational revenue, increase liquidity, reduce transaction costs effectively and increase net profit of the Group, thereby improving the performance of the Company, which is in line with the Company's long-term strategy to become a cost-competitive provider of integrated solutions for the traditional oil and gas drilling industry and the offshore wind power green energy sector.

The Group is committed to the transformation of offshore renewable energy and green energy technology. Under the Vessels Chartering, the Group will charter offshore engineering and other related vessels from the CM Industry Group to further develop the Company's business and to strengthen the two-wheel drive strategy of the Group's oil and gas energy business and new energy business, in which, possible business models include the Company charters offshore engineering related or relevant vessels to third parties. It is expected that the Vessels Chartering can strengthen its asset management capabilities and enable the Group to expand its international asset management business opportunities, as well as utilizing the Group's extensive experience, in-depth understanding and insights in the offshore engineering platform asset industry to further optimized the Group's business. Vessels Management Services will provide the Company with stable income, and in combination with Vessels Chartering Services, will provide certainty and stability for the asset management business of the Group.

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

### **INTERNAL CONTROL MEASURES**

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

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## LETTER FROM THE BOARD

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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 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 effective and sound internal control measures are in place so that the Product 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 Sales and Procurement and Vessels Services regularly in order to ensure that the Sales and Procurement and Vessels Services 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 Sales and Procurement and Vessels Services and any irregularities in respect of the Sales and Procurement and Vessels Services will be reported to the senior management of the Group in a timely manner.

The Group will also conduct sample internal checks on a quarterly basis to ensure that the internal control measures in respect of the Sales and Procurement and Vessels Services remain intact and effective.

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

The Sales and Procurement and Vessels Services 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 Sales and Procurement and Vessels Services were conducted in accordance with the terms of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services 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.

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## LETTER FROM THE BOARD

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The Company's independent auditor will be engaged to report on the continuing connected transactions under the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the Sales and Procurement and Vessels Services: (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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement; and (iv) have not exceeded the annual caps set by the Company.

### 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 a controlling shareholder of the Company and also a connected person of the Company. As a result, the Sales and Procurement and Vessels 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 each of the Products Annual Caps for the Product Sales, the Structural Parts Annual Caps for the Structural Parts Procurement, the Vessels Chartering Annual Caps for the Vessels Chartering and the Vessels Management Annual Caps for the Vessels Management Services exceed 5%, each of the Product Sales, the Structural Parts Procurement, the Vessels Chartering and the Vessels Management Services, 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, Mr. Huang Jin, Mr. Liu Jiancheng and Mr. Mei Xianzhi hold positions in the CM Industry Group, each of them has abstained from voting on the Board resolutions in relation to the Master Supply and Purchase Agreement, the Master Vessels Chartering and Management Services Agreement and the Sales and Procurement and Vessels Services contemplated thereunder.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all four independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of (i) the Master Supply and Purchase Agreement and the Sales and Procurement (including the Products Annual Caps and the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services (including the Vessels Chartering Annual Caps and the Vessels Management Annual Caps) contemplated thereunder.

Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best of the knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Sales and Procurement and Vessels Services. A letter from the Independent Board Committee is set out on 29 to 30 of this circular.

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## LETTER FROM THE BOARD

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### INDEPENDENT FINANCIAL ADVISER

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Master Supply and Purchase Agreement and the Sales and Procurement (including the Products Annual Caps and the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services (including the Vessels Chartering Annual Caps and the Vessels Management Annual Caps) contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 31 to 69 of this circular.

### EGM

The EGM will be convened and held at Room A, 31/F., Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, N.T. Hong Kong on Thursday, 15 December 2022 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve (i) the Master Supply and Purchase Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Chartering (including the Vessels Chartering Annual Caps) and the Vessels Management Services (including the Vessels Management Annual Caps) contemplated thereunder.

Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on 13 December 2022) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As at the Latest Practicable Date, as CM Industry was 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, Prime Force Investment Corporation was therefore deemed to have material interest in the Sales and Procurement and Vessels Services, and will be required to abstain from voting on the resolutions in relation to the Sales and Procurement and Vessels Services at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Sales and Procurement and Vessels Services and is therefore required to abstain from voting at the EGM on the relevant resolutions.

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

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular and the letter from the Independent Financial Adviser set out on pages 31 to 69 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions regarding (i) the Master Supply and Purchase Agreement and the Product Sales (including the Products Annual Caps) and the Structural Parts Procurement (including the Structural Parts Annual Caps) contemplated thereunder; and (ii) and the Master Vessels Chartering and Management Services Agreement and the Vessels Chartering (including the Vessels Chartering Annual Caps) and the Vessels Management Services (including the Vessels Management Annual Caps) contemplated thereunder.

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

### FURTHER INFORMATION

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

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

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

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

28 November 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY AND PURCHASE AGREEMENT; AND MASTER VESSELS CHARTERING AND MANAGEMENT SERVICES AGREEMENT**

We refer to the circular issued by the Company to its shareholders dated 28 November 2022 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of (i) the Master Supply and Purchase Agreement and the Sales and Procurement (including the Products Annual Caps and the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services (including the Vessels Chartering Annual Caps and the Vessels Management Annual Caps) contemplated thereunder, details of which are set out in the letter from the Board contained in the Circular.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in respect of the terms of (i) the Master Supply and Purchase Agreement and the Sales and Procurement (including the Products Annual Caps and the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services (including the Vessels Chartering Annual Caps and the Vessels Management Annual Caps) contemplated thereunder. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 31 to 69 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 28 of the Circular and the additional information set out in the appendices thereto.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve and ratify (i) the Master Supply and Purchase Agreement and the Sales and Procurement (including the Products Annual Caps and the Structural Parts Annual Caps) contemplated thereunder; and (ii) the Master Vessels Chartering and Management Services Agreement and the Vessels Services (including the Vessels Chartering Annual Caps and the Vessels Management Annual Caps) contemplated thereunder.

Yours faithfully,

For and on behalf of

The Independent Board Committee of  
**CMIC Ocean En-Tech Holding Co., Ltd.**

**Mr. Chan Ngai Sang, Kenny**

*Independent non-executive Director*

**Mr. Zou Zhendong**

*Independent non-executive Director*

**Mr. Chen Weidong**

*Independent non-executive Director*

**Mr. Sun Dongchang**

*Independent non-executive Director*



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders regarding the continuing connected transactions for the purpose of inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, Floor 3,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Central,  
Hong Kong  
Tel: (852) 2857 9208  
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28 November 2022

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

*Dear Sir/Madam,*

## **CONTINUING CONNECTED TRANSACTIONS (1) MASTER SUPPLY AND PURCHASE AGREEMENT; AND (2) MASTER VESSELS CHARTERING AND MANAGEMENT SERVICES AGREEMENT**

### **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 Master Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement, (together with the Products Annual Caps, the Structural Parts Annual Caps, Vessels Chartering Annual Caps and the Vessels Management 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 28 November 2022, 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 6 November 2020 and the circular of the Company dated 14 December 2020 in relation to the 2020 Master Supply and Purchase Agreement entered into between the Company and CM Industry on 5 November 2020 and the continuing connected transaction contemplated thereunder.

As the 2020 Master Supply and Purchase Agreement will be expired on 31 December 2022, on 18 October 2022 (after trading hours), the Company entered into the Master Supply and Purchase Agreement with CM Industry, pursuant to which the Group will purchase structural parts and other components from and sell Products to the CM Industry Group, effective from the Commencement Date to 31 December 2025.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 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 each of the Product Sales (including the Products Annual Caps), the Structural Parts Procurement (including the Structural Parts Annual Caps), the Vessels Chartering Services (including the Vessels Chartering Annual Caps) and the Vessels Management Services (including the Vessels Management Annual Caps) exceed 5%, each of the Product Sales (including the Products Annual Caps), the Structural Parts Procurement (including the Structural Parts Annual Caps), the Vessels Chartering (including the Vessels Chartering Annual Caps) and the Vessels Management Services (including the Vessels Management 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, Mr. Huang Jin, Mr. Liu Jiancheng and Mr. Mei Xianzhi hold positions in the CM Industry Group, each of them has abstained from voting on the Board resolutions in relation to the Master Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement and the Sales and Procurement and Vessel Services contemplated thereunder.

### II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan as executive Directors, Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui, Mr. Liu Jiancheng, Mr. Huang Jin and Mr. Mei Xianzhi as non-executive Directors, and Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang as independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement and the Sales and Procurement and Vessel Services 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CM Industry and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Master Supply and Purchase Agreement and Master Vessels Chartering and Management Services Agreement (together with the Annual Caps) and the transactions contemplated thereunder.

In the previous two years, save for our appointment as the independent financial adviser in connection with certain continuing connected transactions and the respective proposed annual caps, details of which are set out in the circular of the Company dated 15 December 2020, we have not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company or CM Industry for any other transaction.

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

### IV. BASIS AND ASSUMPTIONS OF THE ADVICE

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master 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.

### **V. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master 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**

As set out in 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Group's operating results by activities, extracted from (i) the published annual report of the Company for the year ended 31 December 2021 (the "2021 Annual Report") and (ii) the published interim report of the Company for the six months ended 30 June 2022 (the "2022 Interim Report"):

**Summary of the Group's segment information by business segments:**

	For the six months ended		For the year ended	
	30 June		31 December	
	2022	2021	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Revenue</b>				
- Capital equipment and packages	28,089	6,547	27,622	41,830
- Oilfield expendables and supplies	18,236	12,319	21,034	17,413
- Management and engineering service	<u>4,753</u>	<u>3,763</u>	<u>8,371</u>	<u>6,639</u>
<b>Total Revenue</b>	<b><u>51,078</u></b>	<b><u>22,629</u></b>	<b><u>57,027</u></b>	<b><u>65,882</u></b>
<b>Profit for the period/year</b>	<b><u>1,648</u></b>	<b><u>6,253</u></b>	<b><u>9,344</u></b>	<b><u>10,830</u></b>

**For the six months ended 30 June 2022 (the "6M2022") compared to the six months ended 30 June 2021 (the "6M2021")**

As set out in the 2022 Interim Report, the revenue of the Group increased by approximately US\$28.5 million or 126.1% from approximately US\$22.6 million for 6M2021 to approximately US\$51.1 million for 6M2022. The increase in revenue was mainly due to business expansion and more orders being delivered.

Revenue recognised in capital equipment and packages projects increased by approximately US\$21.6 million or 332.3% from approximately US\$6.5 million for 6M2021 to approximately US\$28.1 million for 6M2022, which was mainly due to an increase in product demand and more orders being delivered. The increase in revenue of oilfield expendables and supplies of approximately US\$5.9 million or 48.0% from approximately US\$12.3 million for 6M2021 to approximately US\$18.2 million for 6M2022 was mainly due to continuous rise in oil prices and increase in orders for oilfield expendables and supplies in North America and Mexico, as well as the increase in demand for mud pump in Mainland China. Management and engineering services revenue increased by approximately US\$1.0 million or 26.3% from approximately US\$3.8 million for 6M2021 to US\$4.8 million for 6M2022, which was mainly due to the increase in demand for rig management and maintenance service.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The profit for the period decreased by approximately US\$4.7 million or 74.6% from approximately US\$6.3 million for 6M2021 to approximately US\$1.6 million for 6M2022. Such decrease was mainly due to the decrease in other revenue and net income of approximately US\$12.8 million or 91.4%. The decrease was mainly due to the one-off gain on disposal of non-current assets classified as held for sale in 2021 amounting to US\$11.4 million.

***For the year ended 31 December 2021 (the “FY2021”) compared to the year ended 31 December 2020 (the “FY2020”)***

The Group’s revenue decreased by approximately US\$8.9 million or 13.5% from approximately US\$65.9 million for FY2020 to approximately US\$57.0 million for FY2021. The decrease of revenue was mainly due to the failure to complete the delivery within the year in accordance with original schedule as a result of the impact from COVID-19 pandemic and disruption in supply chain on certain orders; the completed and delivered orders in 2021 was fewer than the previous year as certain orders for product were affected by production cycle.

Revenue recognised in capital equipment and packages projects decreased by approximately US\$14.2 million or 34.0% from approximately US\$41.8 million for FY2020 to approximately US\$27.6 million for FY2021 due to fewer completed and delivered orders in 2021 than the previous year as a result of the impact of the COVID-19 pandemic on the delivery time as well as the impact of production cycle on certain orders for product. The increase of approximately US\$3.6 million or 20.7% from approximately US\$17.4 million for FY2020 to approximately US\$21.0 million for FY2021 for oilfield expendables and supplies was due to continuous rise in oil prices and a year-on-year increase in orders of oilfield expendables and supplies in Mainland China and Mexico markets. Revenue recognised in the Management and engineering services increased by approximately US\$1.8 million or 27.3% from approximately US\$6.6 million for FY2020 to approximately US\$8.4 million for FY2021 mainly due to the upgrade for offshore rigs and the increase in ancillary services in Mexico market.

The profit for the year decreased by approximately US\$1.5 million or 13.9% from approximately US\$10.8 million for FY2020 to approximately US\$9.3 million for FY2021. Such decrease was mainly due to (i) the decrease in revenue as discussed above; (ii) the decrease in other revenue and net income from approximately US\$5.9 million for FY2020 to approximately US\$4.7 million for FY2021, which the amount includes rental income, finance income from lease receivables and various government grants; and (iii) the income tax expenses of approximately US\$6.4 million for FY2021 as compared to approximately US\$0.9 million income tax credit for FY2020.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Summary of consolidated statement of financial position of the Group*

	<b>As at 30</b>	<b>As at 31 December</b>	
	<b>June</b>	<b>2021</b>	<b>2020</b>
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)	(audited)
<b>Total assets</b>	<b>227,344</b>	<b>229,897</b>	<b>229,930</b>
– Property, plant and equipment	22,320	24,061	18,971
– Interest in joint venture	44,218	43,123	40,727
– Inventories	26,303	33,391	23,008
– Trade and other receivables	91,773	64,686	57,617
– Lease receivables	10,253	24,270	31,920
– Cash and cash equivalents	18,088	33,511	22,424
<b>Total liabilities</b>	<b>(80,734)</b>	<b>(81,319)</b>	<b>(94,646)</b>
– Trade and other payables	(41,295)	(42,331)	(57,989)
– Contract liabilities	(27,340)	(15,003)	(8,667)
– Lease liabilities	(8,551)	(20,696)	(24,614)
<b>Total equity attributable to equity shareholders of the Company</b>	<b>146,820</b>	<b>148,709</b>	<b>135,606</b>

*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 2022***

As at 30 June 2022, the total assets of the Group was approximately US\$227.3 million, the total liabilities of the Group was approximately US\$80.7 million and the total equity attributable to equity shareholders of the Company was approximately US\$146.8 million.

As at 30 June 2022, the assets of the Group mainly comprised of (i) trade and other receivables of approximately US\$91.8 million; (ii) interest in joint venture of approximately US\$44.2 million; and (iii) inventories of approximately US\$26.3 million, which accounted for approximately 40.4%, 19.4% and 11.6% of the total assets, respectively.

As at 30 June 2022, the liabilities of the Group mainly comprised of (i) trade and other payables of approximately US\$41.3 million; and (ii) contract liabilities of approximately US\$27.3 million, which accounted for approximately 51.2% and 33.8% of the total liabilities, respectively.



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## *Financial position of the Group as at 31 December 2020 and 31 December 2021*

The Group's total assets remain stable at approximately US\$229.9 million as at 31 December 2020 and 31 December 2021. As at 31 December 2021, the assets of the Group mainly comprised of (i) trade and other receivables of approximately US\$64.7 million; (ii) interest in joint venture of approximately US\$43.1 million; (iii) cash and cash equivalents of approximately US\$33.5 million; and (iv) inventories of approximately US\$33.4 million, which accounted for approximately 28.1%, 18.7%, 14.6% and 14.5% of the total assets, respectively.

The Group's total liabilities decreased by approximately US\$13.3 million or 14.1%, from approximately US\$94.6 million as at 31 December 2020 to approximately US\$81.3 million as at 31 December 2021. Such decrease was mainly attributable to the decrease in trade and other payables of approximately US\$15.7 million. As at 31 December 2021, liabilities of the Group mainly comprised of (i) trade and other payables of approximately US\$42.3 million; and (ii) lease liabilities of approximately US\$20.7 million, which accounted for approximately 52.0% and 25.5% of the total liabilities, respectively.

The equity attributable to equity shareholders of the Company increased from approximately US\$135.6 million as at 31 December 2020 to approximately US\$148.7 million as at 31 December 2021.

## **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, specialised shipbuilding, cruise shipbuilding, new materials and special equipment. CM Industry is an indirect wholly-owned subsidiary of CM Group, which in turn is regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

## **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 Services 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 2020 Master Supply and Purchase Agreement will expire on 31 December 2022, the Parties intend to continue the cooperation between the Parties. As the cooperation between the Group and CM Industry will create synergies for the Parties, the Directors considered that the entering into of the Master Supply and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The business of the CM Industry Group is mainly in the field of marine equipment maintenance and installation, offshore engineering equipment manufacturing, special shipbuilding and cruise shipbuilding. The Group has years of experience and insight in the field of offshore engineering and high-end equipment for offshore wind power installation platform. Therefore, the Company believes that the principal business of both CM Industry Group and the Group are highly synergistic.

The Directors expect that, in respect of the Sales and Procurement, on one hand, the high-end offshore engineering equipment manufactured by the Company has the proprietary intellectual property rights in the PRC, and it can continue to cooperate with CM Industry to break through in the procurement of key materials by reducing the reliance on imported equipment, targeting the development of product markets in China that face technological bottlenecks. On the other hand, by cooperating with CM Industry, the Group will be able to deeply embedded its products into the products of the CM Industry Group, so as to apply on more fields, continue to enhance its market share and influence and strengthen cooperation between enterprises, achieving a win-win situation for both parties. At the same time, supply and purchase will expand the operational revenue, increase liquidity, reduce transaction costs effectively and increase net profit of the Group, thereby improving the performance of the Company, which is in line with the Company's long-term strategy to become a cost-competitive provider of integrated solutions for the traditional oil and gas drilling industry and the offshore wind power green energy sector.

As advised by the Management, the Master Supply and Purchase Agreement would enable the Group to generate revenue as well as enhancing the utilisation of its assets by carrying out the sales of products to CM Industry Group from time to time, provided that CM Industry Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company. On the other hand, the supply of Products to CM Industry Group will result in the increase in demand of the structural parts and other components which are one of the key components in the manufacturing process of the Products. Hence, taking into consideration the competitive advantages from CM Industry Group in supplying the required structural parts and other components, such as the competitive pricing advantage and able to deeply embedded its products into the products of CM Industry Group with the potential to apply on more fields, the Group therefore decided to enter into the Master Supply and Purchase Agreement for the three years ending 31 December 2025.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the terms of the Master Supply and Purchase Agreement, we have obtained and reviewed three sales contracts entered into by the Group with CM Industry Group (the “**Connected Sales Contracts**”) and advised by the Company that those three 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 30% which was in line with the pricing principles as listed out in the previous circular dated 15 December 2020 and the quotations compared with other suppliers from the open tender records were at similar level.

Having considered that, (i) entering into of the Master Supply and Purchase Agreement will enable the Group that may able to deeply embedded its products into the products of CM Industry Group with the potential to apply on more fields; (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 steps taken by the Company for setting the selling price of the products which were in line with the pricing principles as stated in the Letter from the Board; (iv) the quotations were broadly in line with the market; 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	18 October 2022
Effective Period	From the Commencement Date to 31 December 2025 (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"><li>1. the Company</li><li>2. CM Industry</li></ol> <p>(each a “<b>Party</b>” and collectively, the “<b>Parties</b>”)</p>
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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Nature of transaction Pursuant to the Master Supply and Purchase Agreement, on a non-exclusive basis, (i) CM Industry (on behalf of itself and its subsidiaries) agrees to sell, and the Company (on behalf of itself and its subsidiaries) agrees to purchase, structural parts and other components; and (ii) 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.

It is agreed that each agreement for the sale and purchase of Products 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 Supply and Purchase Agreement.

Pricing principles Pursuant to the terms of the Master Supply and Purchase Agreement, the Sales and Procurement shall be conducted on normal commercial terms, in particular: (i) the Sales and Procurement will be on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties based on its internal control measures; (ii) the Sales and Procurement 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 under the Sales and Procurement 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 2025.

**(a) Product sales**

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 to) 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 and normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Depending on the relevant transaction amounts, the 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 in respect 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, the 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

**(b) *Structural Parts Procurement***

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

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

- The Company will obtain at least two price quotations for structural parts and other components of similar type, quantity and quality from qualified suppliers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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.

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

### *Information on the Products*

Pursuant to separate agreements to be entered into between members of the Group and members of the CM Industry Group under the Master Supply and Purchase Agreement, a wide range of Products, including equipment used on various offshore platforms and vessels including power control package, jacking system, deck crane, BOP handling and transport system, burner boom, mechanical handling system, CTU, cantilever and drillfloor equipment, gangway and other related individual equipment and systems; rack and chord cutting projects; other material processing projects; new energy equipments; technical services; and design, engineering and other related consulting service etc., will be sold on a non-exclusive basis. The proceeds from the Product Sales will constitute operating revenue of the Group.

### *Information on structural parts and other components*

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### **3.3 Basis for determining the Annual Caps for the Product Sales and the Structural Parts Procurement under the Master Supply and Purchase Agreement**

The table below sets out the historical transaction amounts and the annual caps for (i) Product Sales; and (ii) the Structural Parts Procurement for the two years ended 31 December 2021 and from 1 January 2022 to the date of the Announcement:

	For the year ended 31 December 2020 (US\$)	For the year ended 31 December 2021 (US\$)	From 1 January 2022 to the date of the Announcement (US\$)
Historical Products Annual Caps	40 million	100 million	100 million
Transaction amounts for sales of products	563,000	1,157,000	6,402,000
Utilisation rate	1.4%	1.2%	6.4%
Historical Structural Parts Annual Caps	5 million	16 million	16 million
Transaction amounts for procurement of structural parts and other components	–	–	–

As shown in the table above, the historical transaction amounts for sales of products were approximately US\$0.56 million for the year ended 31 December 2020, approximately US\$1.2 million for the year ended 31 December 2021 and approximately US\$6.4 million from 1 January 2022 to the date of the Announcement, with utilisation rate of approximately 1.4%, 1.2% and 6.4%, respectively. On the other hand, as stated in the Letter from the Board, there is no historical transaction with CM Industry Group in procurement of structural parts and other components.

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 1, 3 and 3 shipsets of equipment package for wind power installation platform for the years ended/ending 31 December 2020, 2021 and 2022, respectively. Amongst the 1, 3 and 3 shipsets of equipment package for wind power installation platform that were used to determine the Historical Products Annual Caps, supply contract for one shipset of equipment package have been entered into in 2021 and supply contract for another shipset of equipment package is expected to be entered into by the end of 2022, which was due to the delay and changes as described below. Generally, the development and building of offshore platforms and vessels involve ship-owners and shipyards entering into shipbuilding contracts, and shipyards purchasing raw materials and parts for building vessels from suppliers. Before entering shipbuilding contracts for new offshore platforms, coordination among various parties, including but not limited to ship-owners, ship-owner's agents and shipyard's agents, ship-owner's financiers and shipyard's financiers, ship designers, ship classification societies, key equipment suppliers and insurance companies etc. and finalization of terms of cooperation are required. Ship-owners had generally sourced shipyards through public tendering or competitive negotiations, which had taken longer than the original



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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timetable that CM Industry had expected. The unprecedented outbreak of COVID-19 in the past years had also affected the initiation time and schedule of ship-building projects. It was also more challenging and time-consuming for ship-owners to negotiate and obtain shipping financings from financiers. Due to the delay experienced by various parties involved in the shipbuilding process, (including the delay in initiation of ship-building project by ship-owners), there was a corresponding delay in the building schedule of the CM Industry Group's offshore wind power installation and other platforms and consequently a delay in the demand for the Group's products from the CM Industry Group under the 2020 Master Supply and Purchase Agreement. As the products are generally products of high value with a long production cycle, the delay or any unforeseeable changes in the negotiation of potential orders for such products would have a significant impact on the actual utilisation of the Historical Products Annual Caps. The delivery period for shipset of jacking system and equipment such as heavy lift cranes generally ranges from 9 to 14 months and the selling price for such ship-sets ranges from approximately RMB200 million to RMB300 million.

The delay or unexpected changes in purchase orders of the products from the CM Industry Group under the 2020 Master Supply and Purchase Agreement has resulted in a significant delay in the actual recognition of revenue by the Company. For example, the Group had entered into a supply contract for a shipset of equipment package which includes jacking system, heavy-lift cranes and electrical control system in December 2021 with a contract sum of approximately RMB263 million for a 1,600 tons of offshore wind power installation platform, which was originally planned to take place in the beginning of 2021. As the equipment included in the package would be delivered in end of 2022 and the first half of 2023, the relevant revenue may only be recognized in the second half of 2022 and the first half of 2023, respectively, and will accordingly fall under the annual caps for 2022 and 2023. As a result, there was a relatively substantial difference between the historical transaction amounts for the sale of products under the 2020 Master Supply and Purchase Agreement and the Historical Products Annual Caps.

As structural parts and other components are mainly used in the manufacture of heavy lift cranes to meet the orders of the CM Industry Group, in determining the Historical Structural Parts Annual Caps, the Company has taken into account the expected requirements of heavy lift cranes and the structural parts and other components required in the manufacture of each heavy lift crane produced by the Company. In view of the delay in the demand for the products by the CM Industry Group, it also led to a corresponding delay in the demand for structural parts and other components of the Company. As a result, there was a relatively significant difference between the historical transaction amounts for the procurement of structural parts and other components and the Historical Structural Parts Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have further discussed with the Management in respect of the delay, the delay was caused by various parties involved in the shipbuilding process and the Company belongs to the downstream of such process, position of the Company was relatively passive. 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 follow up with corresponding parties to acquire project progress from time to time or at least on a monthly basis, for example to follow up on the delay and discuss what the Company can further help with the process. We further obtained the internal meeting record showing that the Company had finished the relevant preparations and only pending the completion from various parties to begin the Company's works, of which we concur with the Management that the Company had performed relevant measures on a best effort basis, and considering that the Company belongs to the downstream of the whole process, which was relatively passive and not uncommon to experience delays caused by other parties.

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

	<b>Annual Caps</b>		
	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
Products Annual Caps	200 million	150 million	150 million
Structural Parts Annual Caps	35 million	30 million	30 million

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

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

The Company observed a trend in the development of offshore wind power installation platforms and expects that the CM Industry Group will continue to receive orders for the construction of offshore wind power installation platforms. The Company has been selected as a qualified supplier of large and medium-sized cranes, electronic control systems and jacking system equipment packages and platform leg material processing. The Company expects to continue to sell the Products to CM Industry for installation on its wind power installation platforms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) the estimated demand for the Products by the CM Industry Group from the Commencement Date to 31 December 2025*

The Company has mainly taken into account the intended demand for the delivery of 2, 1 and 1 shipset(s) of equipment packages for wind power installation platforms for the years ending 31 December 2023, 2024 and 2025, respectively, based on internal resources available. In addition, the Company will also develop and generate sales of new products for vessel packages such as offshore support vessels. The Group is also developing new Products such as gangway systems and cranes for offshore support vessels and platform supply vessels which are expected to be available for sale in 2023. Reference is made to the announcement of the Company dated 18 July 2022 in relation to the obtaining of a license in relation to a 3D active motion compensated gangway system. As such new Products are high-end products associated with highly specialised technological capabilities, the Group estimates that there will be demand for such Products in the PRC market. In projecting the total sales of the Products to the CM Industry Group, the Company has also considered the amount of past transactions in relation to individual products of other types of platforms sold to other independent third party customers for the Products.

*(iii) the expected selling prices of the Products from the Commencement Date to 31 December 2025*

In determining the expected selling prices of the Products, the Company had made reference to the specifications of Products required by CM Industry Group, the prices of such Products in the trading database of the Company and relevant market prices of such Products. It is also expected that the selling prices of such equipment packages for wind power installation platforms will be determined based on the specifications required by CM Industry Group and relevant market price of such products would range from approximately RMB200 million to RMB350 million.

*(iv) the transaction amounts in respect of the Product Sales under the 2020 Master Supply and Purchase Agreement to be recognised in the accounts of the Company*

As disclosed in the sub-section headed “Master Supply and Purchase Agreement – Historical transaction amounts” in the Letter from the Board, due to a delay in the demand for the Products and unexpected changes in the orders from the CM Industry Group under the 2020 Master Supply and Purchase Agreement, there is also a delay in the actual recognition of revenue by the Company. Therefore, the Company has also considered the transaction amount for sale of products under the 2020 Master Supply and Purchase Agreement to be recognised after the Commencement Date in determining the Products Annual Caps. As at 31 October 2022, the Company had received orders for Products which will bring to the Group revenue of approximately RMB234 million and is in negotiation and is expected to be entered into supply contracts for Products which is estimated to bring to the Group revenue of approximately RMB922 million in the end of 2022 and the first half of 2023. Such Products are expected to be delivered in 2023 and the revenue in relation thereto is expected to be recognised in 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In particular, the Products supplied to CM Industry Group was based on the traditional utilities used in offshore wind power market and other types of platform/vessels. As advised by the Management, given that the offshore wind power market is recovering from COVID-19 pandemic, demand in energy supply from offshore wind power market is resuming and increasing in the first half of 2021, the demand from CM Industry Group in the high quality Products continues to increase. As a result, the Group entered into the Master Supply and Purchase Agreement with CM Industry Group in order to capture the increasing demand of the high quality Products required by CM Industry Group for the three years ending 31 December 2025.

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

- (i) the estimated demand for structural parts and other components by the Group from the Commencement Date to 31 December 2025

The Company had considered the intended demand of 2, 1 and 1 heavy lift cranes from the CM Industry Group during the years ending 31 December 2023, 2024 and 2025

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

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

- (iv) the transaction amounts in respect of the Structural Parts Procurement under the 2020 Master Supply and Purchase Agreement to be recognised in the accounts of the Company

As disclosed in the sub-section headed “Master Supply and Purchase Agreement – Historical transaction amounts” in the Letter from the Board, in view of the delay in the demand for structural parts of the Company under the 2020 Master Supply and Purchase Agreement, there is also a delay in the payment to be actually recognised by the Company. Therefore, the Company has also considered the transaction amount for the purchase of structural parts and other components under the 2020 Master Supply and Purchase Agreement to be recognised after the Commencement Date in determining the Structural Parts Annual Caps

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In connection to the above, we had discussed with and understood from the Management that the estimated demand for the Products of CM Industry Group was based on the intended demand of 2, 1 and 1 shipsets of equipment packages for wind power installation platforms for the years ending 31 December 2023, 2024 and 2025, respectively with the expected selling prices of such equipment packages for wind power installation platforms which based on the specifications required by CM Industry Group and relevant market price of such products ranged from approximately RMB200 million to RMB350 million. Moreover, the Management advised that the Company had referenced the historical transaction amount in relation to the Products to other third party customers in projecting the relevant sales figures to CM Industry Group.

In addition, we had obtained the (i) cost breakdown of such equipment packages for wind power installation platforms with relevant supporting documents; (ii) list of signed contracts to be commenced in 2022 or 2023; and (iii) 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 2022 or 2023; (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.

As advised by the Management, the Structural Parts Annual Caps was based on (i) the estimated 1,300 to 2,400 tons of structural parts and other components required in the manufacturing process of each heavy lift crane designated by the Group; (ii) the intended demand of 2, 1 and 1 heavy lift crane required by CM Industry Group during the years ending 31 December 2023, 2024 and 2025, respectively; (iii) the market price of structural parts per ton; and (iv) the estimated buffer in the volume of structural parts needed. As discussed with the Management, the buffer is to cater for unexpected circumstances, such as unexpected enhancement in the specifications of the heavy lift crane which would require additional structural parts, which would provide the Group with the flexibility but not the obligation to purchase structural parts under the Master Supply and Purchase Agreement, apart from the estimated 1,300 to 2,400 tons per heavy lift crane as estimated under the existing specifications of heavy lift crane.

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the proposed annual caps for the Product Sales under the Master Supply and Purchase Agreement compared with the historical annual caps representing an increase of approximately 400%, 50% and 50%, respectively, for the three years ending 31 December 2023, 2024 and 2025. Based on the list of signed contracts to be commenced in 2022 or 2023 and our discussion with the Management, considering the contracts delayed as mentioned above with the newly signed contracts on hand, the total contract amount already representing more than 50% of the proposed annual caps for the Products Sales for the year ending 31 December 2023. For the proposed annual caps for the Structural Parts Procurement under the Master Supply and Purchase Agreement, we noted that the proposed annual caps as compared with the historical annual caps, representing an increase of approximately 600%, 87.5% and 87.5%, respectively, for the three years ending 31 December 2023, 2024 and 2025. 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 16% of the proposed annual caps for the year ending 31 December 2023 and not less than 10 potential contracts in negotiation accounted for approximately 64% of the proposed annual caps for the year ending 31 December 2023, with a total accounted for approximately 80% of the proposed annual caps for the year ending 2023 (details of which are listed out in the table below). Considering a buffer of 10% for fluctuation of market prices and change in specification to provide flexibility to the Group, the remaining of approximately 10% accounted for approximately US\$21 million (equivalent to approximately RMB152 million) is even less than the contract sum of the supply contract for a ship-set of equipment package of approximately RMB263 million as example illustrated in the Letter from the Board. We therefore are of the view that the proposed annual caps for the Product Sales and Structural Parts Procurement under the Master Supply and Purchase Agreement are fair and reasonable.

	<b>For the year ending 31 December 2023</b>	<b>Percentage to the Products Annual Caps</b>
Signed contracts on hand	Approximately US\$32 million (equivalent to approximately RMB234 million)	Approximately 16%
Potential contracts under negotiation	Approximately US\$127 million (equivalent to approximately RMB922 million)	Approximately 64%
Buffer of 10% for fluctuation of market prices and change in specification	US\$20 million (equivalent to approximately RMB145 million)	10%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>For the year ending 31 December 2023</b>	<b>Percentage to the Products Annual Caps</b>
Buffer of 10% for new potential contract(s) in 2023	Approximately US\$21 million (equivalent to approximately RMB152 million)	Approximately 10%
Total	US\$200 million	100%

Taking into account of the above, in particular, (i) list of signed contracts to be commenced in 2022 or 2023; (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; (iv) the supply of other products to CM Industry Group in relation to the equipment packages for wind power installation platforms; (v) the estimated structural parts needed per heavy lift crane; (vi) the estimated selling price of structural parts per ton; (vii) the estimated buffer in the volume structural parts needed; and (viii) the delay caused by various parties lead to the low utilisation 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 Management 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group is committed to the transformation of offshore renewable energy and green energy technology. Under the Vessels Chartering, the Group will charter offshore engineering and other related vessels from the CM Industry Group to further develop the Company's business and to strengthen the two-wheel drive strategy of the Group's oil and gas energy business and new energy business, in which, possible business models include the Company charters offshore engineering related or relevant vessels to third parties. It is expected that the Vessels Chartering can strengthen its asset management capabilities and enable the Group to expand its international asset management business opportunities, as well as utilising the Group's extensive experience, in-depth understanding and insights in the offshore engineering platform asset industry to further optimised the Group's business. Vessels Chartering Services will provide the Company with stable income, and in combination with Vessels Management Services, will provide certainty and stability for the asset management business of the Group.

In assessing the fairness and reasonableness of the terms of the Master Vessels Chartering and Management Services Agreement, we have obtained and reviewed two relevant draft contracts to be entered into by the Group with CM Industry Group and further obtained four similar contracts entered into by the Company with independent third parties in the past, we noted that the terms are no less favourable as compared to the draft contracts.

Having considered that, (i) entering into of the Master Vessels Chartering and Management Services Agreement will enable the Group in advancing de-stocking inventory and deepen asset management capabilities; (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 steps taken by the Company for setting the relevant price were in line with the pricing principles as stated in the Letter from the Board; and (iv) 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	18 October 2022
Effective Period	From the Commencement Date to 31 December 2025 (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"><li>1. the Company</li><li>2. CM Industry</li></ol>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Condition precedent	<p>The Master Vessels Chartering and Management Services Agreement and the transactions contemplated thereunder are conditional upon the approval by the Independent Shareholders at the EGM in accordance with the Listing Rules.</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 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 Management 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 Annual Caps (as the case may be) for the period from the Commencement Date to 31 December 2025.</p>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(a) Vessels Chartering**

The rates for 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 to) the relevant comparable prevailing market rates for vessels charter of comparable quality and type and on arm's length basis and normal commercial terms.

Depending on the relevant transaction amounts, the 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 a earnings before interest and tax (“**EBIT**”) margin of no less than 5%. The Company has engaged an independent professional valuer (i.e. Valor) 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, the 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 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 available to the CM Industry Group from 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Board's assessment on the Valuer's work*

The Board has reviewed the fair opinion letter prepared by Valor 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 charterholder of Chartered Financial Analyst, 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 14 years' experiences 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 experiences 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 servicing the offshore energy industry to serve as comparable EBIT margins, making reference to (i) the EBIT margins of vessels management services of two offshore drilling units from the monthly management accounts of TSC Offshore Corporation; (ii) 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; and (iii) reference EBIT margin of the management services on rigs segment of a market comparable company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(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.

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

#### ***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***

There was no historical transaction amount for the Vessels Services between the Group and the CM Industry Group.

The table below sets out the proposed Annual Caps for (i) Vessels Chartering; and (ii) Vessels Management Services:

	<b>Annual Caps</b>		
	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(US\$)</i>	<i>(US\$)</i>	<i>(US\$)</i>
Vessels Chartering Annual Caps	19 million	26 million	30 million
Vessels Management Annual Caps	40 million	23 million	21 million

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Vessels Chartering (including the number and specifications of vessels estimated to be chartered and chartering arrangement (e.g. bareboat charter)) by the Group from the Commencement Date to 31 December 2025 and the period for which the vessels are expected to be chartered*

The Company has taken into account the estimated demand of four offshore engineering and related vessels to be chartered in the form of bareboat charter by the Group in each year. For each of the transaction under the Vessels Chartering, the vessels are generally expected to be chartered for a period of one to three years. The Company has through discussions with its customers and market research and analysis identified a strong growth in demand for offshore oil and gas engineering vessels due to a shortage in supply of such offshore oil and gas engineering vessels and the recovery in price of crude oil. The Group has deep knowledge and established business connections in the highly specialised fields of offshore engineering platform products and oil and gas exploration and development, which gives the Group access to independent clients in a highly distinguishable market who has specific demands in offshore oil and gas engineering vessels. The Company is in negotiation with and estimates that there will be demand for four oil and gas engineering vessels from its customers. Based on such demand and interest from customers, the Group estimates that four vessels will be chartered from the CM Industry Group on a bareboat charter basis under the Vessels Chartering, followed by valued-added maintenance and management services carried out by the Group, and then finally sub-chartering out to independent third party customers.

- (ii) *the estimated chartering rates for vessels from the Commencement Date to 31 December 2025*

In determining the estimated market chartering rates for vessels, the Company had made reference to the specifications and chartering arrangement (e.g. bareboat charter) in respect of vessels estimated to be chartered, the transaction records of Vessels Chartering in the trading database of the Company and the chartering rates of the vessels of comparable type and quality to be chartered.

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

- (i) the estimated demand for Vessels Management Services by the CM Industry Group from the Commencement Date to 31 December 2025 (including the number of vessels estimated to be under management and the package of Vessels Management Services required)

The Company has taken into account four vessels estimated to be under management under the Vessels Management Services and the package of Vessels Management Services required (including but not limited to the specifications, age, maintenance conditions of the vessels estimated to be under management and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other services required by the CM Industry Group). During the negotiation between the Group and the CM Industry Group, the Company understands that the charter of three units of the CM Industry Group's offshore engineering vessels has recently ended, and it is the CM Industry Group's intention to have such vessels maintained, repaired and managed by the Group under the Vessels Management Services. In addition, another offshore engineering vessel is currently under construction at the CM Industry Group's shipyard and the Company and CM Industry Group are in discussion for such vessel to be placed under the management of the Group under the Vessels Management Services.

- (ii) the estimated rates for the Vessels Management Services from the Commencement Date to 31 December 2025

The Company has considered the indicative costs for the provision of the Vessels Management Services and the estimated rates to be charged by the Group after taking into account the EBIT margin of 5%.

In connection to the above, we had discussed with and understood from the Management that the estimated demand in respect of the Vessels Chartering and Vessels Management Services were based on the intended demand of four vessels to be chartered and managed for the years ending 31 December 2023, 2024 and 2025, respectively.

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 2023, 2024 and 2025 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 needed to conduct relevant repair and maintenance first before chartering, thus the proportion for vessels management services would be larger for the year ending 31 December 2023. After the initial repair and maintenance conducted in 2023, the relevant proportion for vessels management services would be decreased in 2024 and further decreased in 2025, thus the proportion of chartering of vessels would be increased in 2024 and 2025, respectively, therefore the Vessels Chartering Annual Caps increase to US\$26 million in 2024 and further increase to US\$30 million in 2025 while the Vessels Management Annual Caps decrease to US\$23 million in 2024 and further decrease to US\$21 million in 2025. 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.

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 (iii) the estimated chartering price and price of management services of the potential vessels in negotiation, we are of the view that the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 four 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 chartering and 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 chartering and management services. In order to evaluate the pricing for the chartering and management services for the potential vessels, a fair chartering date rate opinion letter and 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 chartering and management services are reasonable in the market and on normal commercial terms.

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

In preparing their opinions on chartering date rate and 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) the potential vessels as mentioned above are diving support construction vessels (“**DSCVs**”);
- (ii) DSCV is a sub-category of offshore support vessels (“**OSVs**”), also known as offshore supply vessels, are specialty ships designated for operating on the ocean, serving multiple purposes. They can serve as platform support, anchor handling, construction maintenance, and more;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) OSVs provide support offshore, anything from bringing equipment to rigs to repairing offshore wind turbines. They are integral to getting supplies and materials where they need to go, as well as building and repairing offshore equipment. Their versatility means they can be built for just about any type of project. Some of the main types of OSVs are seismic survey ships, platform supply vessels (“PSVs”), anchor handling tug supply vessels, construction support vessels, DSCVs, inspection, maintenance and repair vessels and remotely operated vehicles support vessels;
- (iv) it has to be noted that professional diving means diving for the prospect of construction, repairing and maintenance of oil-rigs and other important offshore naval constructions. Such DSCVs are mainly used in the North Sea and the Gulf of Mexico since these are the areas from where crude oil is majorly excavated from subsea sources;
- (v) 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 four DSCVs;
- (vi) there will be no material fluctuation of the finance costs and availability of finance related to the subject four DSCVs; and
- (vii) the future movement of exchange rates and interest rates will not differ materially from prevailing market rates.

We have discussed with the Valuer on the background and basis of the fair opinion letters. Given that the uniqueness and speciality of DSCVs or OSVs, comparable transactions or information identical or similar to such transaction is not available in public data, with such constraint, the Valuer therefore looked for (i) day rates of vessels chartering of PSVs to serve as the comparable day rates for vessels chartering of DSCVs; and (ii) EBIT margins of vessels management services of rigs to serve as the comparable EBIT margins for vessels management services of DSCVs. The Valuer has adopted the market approach for the fair opinion letters for the Vessels Chartering and Vessels Management.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In arriving at the opinion of the fairness and reasonableness of the estimated chartering day rate of the Vessels Chartering, the Valuer has adopted market approach by making reference to comparable chartering day rates. Considering the scarcity of public information in relation to the chartering day rates of DSCVs, the Valuer therefore looked for day rates of vessels chartering of PSVs to serve as the comparable day rates for vessels chartering of DSCVs. After obtaining the comparable day rates, the Valuer adopted market approach to assess the estimated chartering day rate of the Vessels Chartering in order to opine on the fairness and reasonableness of the pricing for the Vessels Chartering. Considering the comparable chartering day rates were from March 2022 and July 2022, to further support the fairness and reasonableness of the estimated chartering day rate for the years ending 31 December 2023, 2024 and 2025, the Valuer conducted extra analysis on the utilisation of global OSVs and the Brent future prices since both of them have a positive correlation with the chartering day rates, of which the utilisation and the Brent future prices show a positive trend for the chartering day rates of OSVs in the future, the Valuer is of the view that the comparable chartering day rates may increase in the future and the estimated chartering day rate of the Vessels Chartering is fair and reasonable, and is comparable with the market rates. As discussed with the Valuer and the Management, we are of the view that the adoption of such valuation methodology is reasonable and adopting chartering of PSVs as comparable rates 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 Letters. Regarding the chartering day rate of DSCVs and PSVs, we have conducted our own research but no relevant information can be identified. We therefore concur with the Valuer that public information regarding chartering day rates of DSCVs and PSVs are scarce and limited and need to use the chartering of PSVs as comparable rates.

Considering the estimated chartering day rate for the four potential vessels is within the range of comparable day rates for vessels chartering of PSVs as mentioned in the Letters, we concur with the Valuer's view and is of the opinion that the estimated chartering day rate of the Vessels Chartering is fair and reasonable, and is comparable with the market rate for vessels chartering of comparable type and quality.

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 DSCVs and OSVs, the Valuer therefore looked for EBIT margins of vessels management services of offshore drilling units servicing the offshore energy industry to serve as comparable EBIT margins for vessels management services of DSCVs. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 offshore drilling units servicing the offshore energy industry as comparable EBIT margins and given to understand that the offshore drilling units servicing the offshore energy industry 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 offshore drilling units servicing the offshore energy industry 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 Letters. Regarding the EBIT margins of vessels management services of DSCVs and OSVs, 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 DSCVs and OSVs are scarce and limited and need to use the information regarding EBIT margins of vessels management services of offshore drilling units servicing the offshore energy industry.

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 Letters is true and fair and the comparable day rates of vessels chartering of PSVs and comparable EBIT margins adopted by the Valuer are fair and reasonable so far as the Company and Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 14 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 Letters. 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 Letters. 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 Letters.

### **5. Internal 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.

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 Management 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 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 effective and sound internal control measures are in place so that the Product Sales and Vessels Management are conducted on a fair and reasonable basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The relevant business units and departments of Group will monitor and review the prices/rates and terms in respect of the Sales and Procurement and Vessels Services regularly in order to ensure that the Sales and Procurement and Vessels Services 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 Sales and Procurement and Vessels Services and any irregularities in respect of the Sales and Procurement and Vessels Services will be reported to the senior management of the Group in a timely manner.

The Group will also conduct sample internal checks on a quarterly basis to ensure that the internal control measures in respect of the Sales and Procurement and Vessels Services remain intact and effective.

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

The Sales and Procurement and Vessels Services 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 Sales and Procurement and Vessels Services were conducted in accordance with the terms of the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management 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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the Sales and Procurement and Vessels Services: (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 Supply and Purchase Agreement and the Master Vessels Chartering and Management Agreement; and (iv) have not exceeded the annual caps set by the Company.

As discussed with the Management, when determining the market prices for the sale of the Products, the prices of such are determined by reference to (and in any event no less favourable to) 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 and normal commercial terms. The sales procedure that the Group adopt to supply such products to all customers, being CM Industry Group or independent third party customers, will be the same. The Group will sign the standardised contract with CM Industry Group. The sales management, finance, legal and other relevant departments will use the same assessment criteria as stated in the section headed "3.2. Principle terms of the Master Supply and Purchase Agreement – Pricing Principles" and 4.2. Principle terms of the Master Vessels Chartering and Management Services Agreement – Pricing Principles" to review and approve the Master Supply and Purchase Agreement and the Master Vessels Chartering and Management Services Agreement, and ensure that the Group uses the same procedures to issue invoices.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

### VI. RECOMMENDATION

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

- (i) the reasons for and benefits of the for entering into the Master 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 is fair and reasonable and in the ordinary and usual course of business of the Group and on normal commercial terms that are no more favourable than those prices and terms available from independent third parties to the Group (as appropriate), and is in the interests of the Group and the Shareholders as a whole;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (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 proposed annual caps under the Master Supply and Purchase Agreement and 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 24 years of experience in corporate finance industry.*



**(A) RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

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

Name	Company	Capacity	Type of Interest	Number of Shares	Approximate % of Shareholding (Note 1)
Mr. Zhang Menggui, Morgan	the Company	Beneficial owner	Long Position	65,979,100	2.03%
Mr. Jiang Bing Hua	the Company	Beneficial owner	Long Position	26,965,240	0.83%
Mr. Chan Ngai Sang, Kenny	the Company	Beneficial owner	Long Position	500,000	0.02%

*Notes:*

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

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



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

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

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate% of Issued Share Capital of the Company (Note 4)
China Merchants Group Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Steam Navigation Company Limited (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
CM Industry (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants Ocean Strategy & Technology Fund (L.P.) ("Fund LP") (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
China Merchants GP Limited ("Fund GP") (Note 1)	Interest of controlled corporation	Long Position	1,530,372,000	47.18%
Prime Force Investment Corporation (Note 1)	Beneficial owner	Long Position	1,530,372,000	47.18%
Minyun Limited	Beneficial owner	Long Position	284,751,000	8.78%
China International Marine Containers (Hong Kong) Ltd (Note 2)	Beneficial owner	Long Position	185,600,000	5.72%
China International Marine Containers (Group) Co., Ltd. (Note 2)	Interest of controlled corporation	Long Position	185,600,000	5.72%
Wah Shun International Marine Limited (Note 3)	Beneficial owner	Long Position	174,394,797	5.38%
CSSC Huangpu Wenchong Shipbuilding Company Limited (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%
China State Shipbuilding Corporation Limited (Note 3)	Interest of controlled corporation	Long Position	174,394,797	5.38%

*Notes:*

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

Fund GP (formerly known as China Merchants Great Wall GP Limited) is the general partner of Fund LP (formerly known as China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.)), and is therefore deemed to be interested in the 1,530,372,000 Shares in which Fund LP is interested under Part XV of the SFO.

CM Industry holds 99.96% of the equity interest in Fund LP. CM Industry is a wholly-owned subsidiary of China Merchants Steam Navigation Company Limited (“**CM Steam Navigation**”), which is a wholly-owned subsidiary of CM Group. Therefore, CM Steam Navigation and CM Group are deemed to be interested in the 1,530,372,000 Shares in which Fund GP is interested under Part XV of the SFO. Mr. Lou Dongyang, Mr. Huang Jin, Mr. Liu Jiancheng and Mr. Mei Xianzhi, each a Director, are employees of the CM Industry Group.

2. China International Marine Containers (Group) Company Limited (“**CIMC Group**”) holds the entire issued share capital of China International Marine Containers (Hong Kong) Limited (“**CIMC HK**”). Therefore, CIMC Group is deemed to be interested in the 185,600,000 Shares held by CIMC HK under Part XV of the SFO.
3. China State Shipbuilding Corporation Limited (“**CSSC**”) holds 35.5% of the equity interest of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), which in turn holds 54.54% of the equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited (“**Huangpu Shipbuilding**”). CSSC also holds 14.48% of the equity interest in Huangpu Shipbuilding, which holds 99% of issued shares of Wah Shun International Marine Limited (“**Wah Shun**”). Therefore, CSSC and Huangpu Shipbuilding are deemed to be interested in the 174,394,797 Shares held by Wah Shun under Part XV of the SFO.
4. The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at the Latest Practicable Date.

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

**(C) DIRECTORS’ SERVICE CONTRACTS**

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

**(D) COMPETING INTERESTS**

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

**(E) MATERIAL ADVERSE CHANGE**

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

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

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(G) EXPERTS' QUALIFICATIONS AND CONSENTS**

The following are the qualifications of the experts who have given their opinions and advices which are included in this circular:

<b>NAME</b>	<b>QUALIFICATION</b>
Red Sun Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Valor Appraisal & Advisory Limited	An independent professional valuer

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters, advices or reports dated 28 November 2022 (18 October 2022 in the case of the fair opinion letter) in the form and context in which they are included and all references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**(H) DOCUMENTS ON DISPLAY**

Copies of the following documents will be displayed on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.cmicholding.com](http://www.cmicholding.com) for a period of 14 days from the date of this circular:

1. the Master Supply and Purchase Agreement;
2. the 2020 Master Supply and Purchase Agreement; and
3. the Master Vessels Chartering and Management Services Agreement.

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## NOTICE OF EGM

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 206)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular to the shareholders of the Company dated 28 November 2022 (the “Circular”), unless the context requires otherwise.

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the Company will be held at the Company’s principal place of business in Hong Kong at Room A, 31/F., Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, N.T. Hong Kong on Thursday, 15 December 2022 at 10:00 a.m. to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (a) the Master Supply and Purchase Agreement, a copy of which has been produced to this meeting marked “A” for the purpose of identification, the terms and conditions thereof, and the Sales and Procurement contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the proposed Products Annual Caps for each of the years ending 31 December 2023, 2024 and 2025 be and are hereby approved, confirmed and ratified in all respects;
- (c) the proposed Structural Parts Annual Caps for each of the years ending 31 December 2023, 2024 and 2025 be and are hereby approved, confirmed and ratified in all respects; and
- (d) the execution of the Master Supply and Purchase Agreement by any one Director be and is hereby approved, confirmed and ratified in all respects, and any one Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments and take all such steps as such Director in his/her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Master Supply and Purchase Agreement and the Sales and Procurement contemplated thereunder.”

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## NOTICE OF EGM

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2. **“THAT:**

- (a) the form and substance of the Master Vessels Chartering and Management Services Agreement, a copy of which has been produced to this meeting marked “B” for the purpose of identification, the terms and conditions thereof, and the Vessels Services contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the Vessels Chartering Annual Caps for each of the years ending 31 December 2023, 2024 and 2025 be and are hereby approved, confirmed and ratified in all respects;
- (c) the Vessels Management Annual Caps for each of the years ending 31 December 2023, 2024 and 2025 be and are hereby approved, confirmed and ratified in all respects; and
- (d) the execution of the Master Vessels Chartering and Management Services Agreement by any one Director be and is hereby approved, confirmed and ratified in all respects, and any one Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments and take all such steps as such Director in his/her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Master Vessels Chartering and Management Services Agreement and the Vessels Services contemplated thereunder.”

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

Hong Kong, 28 November 2022

*Notes:*

- 1. The register of members of the Company will be closed from Monday, 12 December 2022 to Thursday, 15 December 2022, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the entitlement to attend and vote at the meeting, all transfer documents, accompanied by the relevant share certificates, must be duly completed and lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2022.
- 2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his/her stead. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
- 3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 10:00 a.m. on Tuesday, 13 December 2022) (Hong Kong time) or any adjourned meeting.

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## NOTICE OF EGM

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4. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll.
7. Precautionary measures being taken to prevent and control the spread of the coronavirus disease (COVID-19) at the EGM, including:
  - (i) mandatory body temperature screening at the entrance of the venue for each attendee. Any person with a body temperature over 37.5°C shall not be permitted to enter the venue;
  - (ii) use of a surgical face mask for each attendee;
  - (iii) no distribution of corporate souvenirs/gifts or refreshments;
  - (iv) appropriate distancing and spacing between seats; and
  - (v) other measures may be required by governmental bodies.

Any attendee who does not comply with the precautionary measures or is subject to quarantine, with any flu-like symptoms, who has had close contact with any person under quarantine shall not be permitted to enter the venue. All Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person Shareholders may also contact the Investor Relations Department of the Company for questions to management.