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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)

**DISCLOSEABLE TRANSACTION
DEED OF SETTLEMENT
AND
PROPOSED ISSUE OF SETTLEMENT SHARES
UNDER GENERAL MANDATE**

DEED OF SETTLEMENT

On 29 October 2019, the Company entered into the Deed of Settlement with the Creditors, pursuant to which the Company has agreed to settle the Debts by issuing to the Nominee 122,726,709 Settlement Shares at the Issue Price of HK\$0.56 per Settlement Share. The Settlement Shares are to be issued under the General Mandate.

The Issue Price of HK\$0.56 per Settlement Share represents:

- (i) a premium of approximately 115.38% over the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the last trading day prior to the date of this announcement; and
- (ii) a premium of approximately 113.74% over the average closing price of approximately HK\$0.262 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading day prior to the date of this announcement.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, 122,726,709 Settlement Shares represents:

- (i) approximately 4.17% of the existing issued share capital of the Company of 2,946,312,408 Shares as at the date of this announcement; and
- (ii) approximately 4% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Deed of Settlement exceeds 5% but is less than 25%, the transactions contemplated under the Deed of Settlement constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Shareholders and potential investors should be aware that the Deed of Settlement and the transactions contemplated thereunder are subject to the fulfilment of certain conditions, and therefore may or may not proceed.

On 29 October 2019, the Company entered into the Deed of Settlement with the Creditors, pursuant to which the Company has agreed to settle the Debts by issuing to the Nominee 122,726,709 Settlement Shares at the Issue Price of HK\$0.56 per Settlement Share. The Settlement Shares are to be issued under the General Mandate.

DEED OF SETTLEMENT

Date: 29 October 2019

Parties: (i) the Company;

(ii) the Creditors;

(iii) the Nominee; and

(iv) the Group Companies.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditors and the Nominee and their ultimate beneficial owners are independent of and not connected with the Company and/or its connected persons.

Settlement of Debts

Pursuant to the Deed of Settlement, subject to satisfaction of the conditions and at Completion, the Nominee shall accept, and the Company shall issue and allot 122,726,709 Settlement Shares free from all encumbrances and ranking *pari passu* in all respects with all other Shares then in issue at the Issue Price of HK\$0.56 per Share to the Nominee in full and final settlement, release and discharged of all the Group Companies' obligations under the Trade Agreements and all outstanding Debts thereunder.

The Settlement Shares are to be issued under the General Mandate.

Conditions

Completion is conditional on:

- (i) the Listing Committee having granted an approval for the listing of and permission to deal in the Settlement Shares;
- (ii) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Deed of Settlement;
- (iii) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the Deed of Settlement having been obtained; and
- (iv) the approval by the Board of the Deed of Settlement and the transactions contemplated thereunder, in particular the issue of the Settlement Shares.

If the conditions are not fulfilled on or before 31 December 2019, the Deed of Settlement shall terminate and none of the parties thereto shall be liable to the other or have any claim against the other for damages, compensation or otherwise save and except any liability for antecedent breaches of either party.

Completion

Completion shall take place on the fifth Business Day after the last of the outstanding condition shall have been fulfilled (or such other time and/or date as the Company may specify in writing).

Upon Completion, TSC Manufacturing and Tianshi shall be indebted to the Company in the amount of the Debts.

Settlement Shares

The Issue Price of HK\$0.56 per Settlement Share represents:

- (i) a premium of approximately 115.38% over the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the last trading day prior to the date of this announcement; and
- (ii) a premium of approximately 113.74% over the average closing price of approximately HK\$0.262 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading day prior to the date of this announcement.

The Issue Price was arrived at after arm's length negotiations between the Company and the Creditors and was determined with reference to the latest market price of the Shares. The Directors are of the view that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The aggregate nominal value of the 122,726,709 Settlement Shares is HK\$12,272,670.90. Based on the issue price of HK\$0.56, the aggregate value of the 122,726,709 Settlement Shares is approximately HK\$68,726,957.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the 122,726,709 Settlement Shares represents:

- (i) approximately 4.17% of the existing issued share capital of the Company of 2,946,312,408 Shares as at the date of this announcement; and
- (ii) approximately 4% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares.

Lock-up

Under the Deed of Settlement, the Nominee irrevocably undertakes to and covenants with the Company and the Group Companies that at any time during the period commencing on the Completion Date and ending on the date which is eighteen (18) months from the Completion Date (the “**Restricted Period**”), he will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares owned by him in respect of which he is the beneficial owner or is otherwise interested in (the “**Lock-up Obligations**”).

Each of the Creditors jointly and severally undertake and covenant with the Company and the Group Companies that it shall ensure that the Nominee will comply and remain compliant with the Lock-up Obligations above throughout the Restricted Period.

Ranking of Settlement Shares

The Settlement Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue thereof.

General Mandate to issue the Settlement Shares

The Settlement Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2019. Pursuant to the General Mandate, the total number of new Shares that the Directors are authorized to allot and issue is 589,262,481 new Shares. As at the date of this announcement, no new Shares have been issued under the General Mandate and the Settlement Shares will utilize up to approximately 20.83% of the General Mandate. The issue of the Settlement Shares will not be subject to the approval of the Shareholders.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Settlement Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion are set out below, assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion (other than the issue of the Settlement Shares):

	As at the date of this announcement		Upon Completion of the issue and allotment of the Settlement Shares	
	Number of Shares	%	Number of Shares	%
Prime Force Investment Corporation (Note 1)	1,530,372,000	51.94	1,530,372,000	49.86
The Nominee	–	–	122,726,709	4.00
Directors				
Mr. Jiang Bing Hua	25,665,240	0.87	25,665,240	0.84
Mr. Zhang Menggui, Morgan	64,679,100	2.20	64,679,100	2.10
Mr. Chan Ngai Sang, Kenny	500,000	0.02	500,000	0.02
Public Shareholders				
Minyun Limited	285,000,000	9.67	285,000,000	9.29
China International Marine Containers (Hong Kong) Limited (Note 2)	185,600,000	6.30	185,600,000	6.05
Other Public Shareholders	854,496,068	29.00	854,496,068	27.84
Sub-total	<u>1,325,096,068</u>	<u>44.97</u>	<u>1,325,096,068</u>	<u>43.18</u>
Total	<u>2,946,312,408</u>	<u>100.00</u>	<u>3,069,039,117</u>	<u>100.00</u>

Notes:

- China Great Wall AMC (International) Holdings Company Limited (“**GWAMC International**”) holds 25% of the equity interest in China Merchants Great-Wall GP Limited (“**Fund GP**”) and is a wholly owned subsidiary of China Great Wall Asset Management Co., Ltd. (“**GW Asset Management**”). Therefore, both GWAMC International and GW Asset Management are both deemed to be interested in the 1,530,372,000 Shares that China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) (“**Fund LP**”) are interested in under Part XV of the SFO.

Fund GP is the general partner of Fund LP and is therefore deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO.

Great Wall International Investment V Limited holds approximately 39.986% of the limited partnership interests in Fund LP and is therefore deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO.

China Merchants Capital Management (International) Limited holds 44% of the equity interest in Fund GP and is a wholly owned subsidiary of China Merchants Capital Management Co. Ltd., which in turn is wholly owned by China Merchants Capital Investment Co., Ltd.

China Merchants Capital Holdings (International) Limited holds approximately 9.996% of the limited partnership interests in Fund LP and is a wholly owned subsidiary of China Merchants Capital Holdings Co. Ltd., which in turn is wholly owned by China Merchants Capital Investment Co., Ltd. China Merchants Industry Holdings Co., Ltd. (“**CM Industry**”) holds 30% of the equity interest in Fund GP and approximately 29.989% of the limited partnership interests in Fund LP and is a wholly owned subsidiary of China Merchants Holdings (Hong Kong) Company Ltd. (“**CM HK**”). Both China Merchants Capital Investment Co., Ltd. and CM HK are wholly owned subsidiaries of China Merchants Steam Navigation Company Limited, which is the wholly owned subsidiary of China Merchants Group Limited (“**CM Group**”). Therefore, each of China Merchants Capital Management (International) Limited, China Merchants Capital Management Co. Ltd., China Merchants Capital Investment Co., Ltd., China Merchants Capital Holdings (International) Limited, China Merchants Capital Holdings Co. Ltd., CM Industry, CM HK, China Merchants Steam Navigation Company Limited, CM Group are deemed to be interested in the 1,530,372,000 Shares that Fund LP are interested in under Part XV of the SFO.

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

- China 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.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE TWELVE MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has conducted the following equity fund raising activities in the past 12 months before the date of this announcement:

Date of announcement	Fund raising activities	Net proceeds	Intended use of the proceeds as announced	Actual use of proceeds
8 November 2018	Rights Issue	HK\$460.1 million	Subscription of shares in joint ventures or other investments	Subscription of shares in joint ventures or other investments
		HK\$131.5 million	Repayment of the Group’s debts	Repayment of the Group’s debts
		HK\$65.7 million	General working capital of the Group	General working capital of the Group

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months before the date of this announcement.

REASONS FOR AND BENEFITS OF THE DEED OF SETTLEMENT

The Group is principally engaged in the business of designing and manufacturing of rig equipment, manufacture and trading of oilfield expendables and offshore rig construction and services.

As at the date of this announcement, the outstanding amount of the Debts is approximately US\$8.77 million. The Company has been negotiating with the Creditors for settlement proposal in respect of the Debts.

The Board considers that (i) the allotment and issue of the Settlement Shares is a suitable means of settlement since it reduced the pressure on cashflow of the Company and could effectively avoid further and additional obligations from or liabilities incurred under the Trade Agreements and the Debts contemplated thereunder; (ii) the allotment and issue of the Settlement Shares will enlarge the capital base of the Company and improve the gearing level of the Group; (iii) the existing liabilities of the Group will be reduced without affecting the working capital of the Group; and (iv) the Group could retain more internal resources for daily working capital and for future investment (if any).

In light to the above, the Directors are of the view that the Deed of Settlement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Group

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

Information of Tianshi

Qingdao Tianshi Petroleum and Gas Equipment Services Group Limited is a company established under the laws of the PRC with limited liability and an indirect wholly owned subsidiary by the Company. Tianshi's ultimate beneficial controller is the Company, and its main business is production and sales of mud pump, solid control system products, as well as all hydraulic end fittings such as cylinder liner, piston, valve body seat, valve box, piston rod and threaded cylinder.

Information of TSC Manufacturing

TSC Manufacturing and Supply, LLC. is a limited liability company incorporated under the laws of the U.S. and an indirect wholly owned subsidiary of the Company. TSC Manufacturing's ultimate beneficial controller is the Company, and it is principally engaged in the sales and service of drilling equipment, accessories and consumables in the oil and gas industry.

Information of the Nominee

The Nominee, Mr. Zhang Baoyou, is the chairman of Jinghong who holds 59.62% of the equity interest in Jinghong.

Information of JH Oilfield

JH Oilfield Equipment & Technology LLC, a limited liability company incorporated under the laws of the U.S. Its ultimate beneficial controllers are Xu Hong and Li Liangxiong. JH Oilfield is principally engaged in the sales and service of top drive and petroleum equipment.

Information of Jinghong

Heilongjiang Jinghong Petroleum Equipment Manufacture Limited is a company established under the laws of the PRC with limited liability. Zhang Baoyou, Zhang Baoguo and Zhang Chunrong are the ultimate beneficial controllers of Jinghong. It is engaged in the manufacturing, leasing, overhauling, technical consultation, technical service, mechanical processing, rubber product processing, general equipment, electrical machinery, steel, hardware products wholesale, retail and import and export of oil drilling industry.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Deed of Settlement exceeds 5% but is less than 25%, the transactions contemplated under the Deed of Settlement constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should be aware that the Deed of Settlement and the transactions contemplated thereunder are subject to the fulfilment of certain conditions, and therefore may or may not proceed. Shareholders and potential investors shall exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open generally for banking business
“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
“Completion”	the completion of the Deed of Settlement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Creditors”	JH Oilfield and Jinghong
“Debts”	the trade debts in the aggregate amount of approximately US\$8.77 million and all relevant and/or ancillary outstanding indebtedness owing by the Group to the Creditors
“Deed of Settlement”	deed of settlement executed by the Company and the Creditors on 29 October 2019 in relation to the settlement of the Debts in accordance with the terms thereunder
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2019 to allot, issue and otherwise deal with additional Shares up to a maximum of 20% of the then issued share capital of the Company, i.e. 589,262,481 Shares

“Group”	the Company and its subsidiaries
“Group Companies”	TSC Manufacturing and Tianshi, being obligors under the Trade Agreements
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Issue Price”	HK\$0.56 per Settlement Share
“JH Oilfield”	JH Oilfield Equipment & Technology LLC, a limited liability company incorporated under the laws of the U.S.
“Jinghong”	Heilongjiang Jinghong Petroleum Equipment Manufacture Limited, a company established under the laws of the PRC with limited liability
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nominee”	Mr. Zhang Baoyou, being a nominee of the Creditors to which the Company will allot and issue the Settlement Shares in accordance with the terms and conditions of the Deed of Settlement
“PRC”	the People’s Republic of China
“Settlement Shares”	122,726,709 new Shares to be issued and allotted by the Company at the Issue Price of HK\$0.56 per Settlement Share pursuant to the terms and conditions of the Deed of Settlement
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianshi”	Qingdao Tianshi Petroleum and Gas Equipment Services Group Limited, a company established under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Trade Agreements”	Agreements and relevant settlement arrangements entered into by the Group Companies in the ordinary course of business of business of the Group with the Creditors
“TSC Manufacturing”	TSC Manufacturing and Supply, LLC., a limited liability company incorporated under the laws of the U.S. and an indirect wholly owned subsidiary of the Company
“U.S.”	United States of America
“US\$”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

By Order of the Board
CMIC Ocean En-Tech Holding Co., Ltd.
Jiang Bing Hua
Co-Chairman

Hong Kong, 30 October 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wang Hongyuan, Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; four non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui and Mr. Qian Zewei; and three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong and Mr. Chen Weidong.