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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of CMIC Ocean En-Tech Holding Co., Ltd. (the "**Company**" or "**CMIC**") announces the unaudited results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

RESULTS HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2020 reached approximately US$31.2 million, representing a decrease of approximately 3.8% from US$32.4 million for the same period in 2019;
- Gross profit amounted to approximately US$10.1 million for the six months ended 30 June 2020, representing an increase of approximately 2.7% from US$9.9 million for the same period in 2019;
- Net profit attributed to equity shareholders of the Company amounted to approximately US$2.9 million for the six months ended 30 June 2020, representing a decrease of 62.0% from US$7.5 million for the same period in 2019 or an increase of approximately 5.5 times compared with US$0.5 million (excluding one-time gain from selling of rigs) for the same period in 2019;
- Earnings per share for the six months ended 30 June 2020 was US$0.10 cent, representing a decrease of 64.3% compared with US$0.28 cent for the same period in 2019;
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

	Notes	**For the six months ended 30 June** **2020** ***US$'000***	**2019** *US$'000*
Revenue	*3, 4*	**31,171**	32,386
Cost of sales		**(21,022)**	(22,501)
Gross profit		**10,149**	9,885
Other revenue and net income	*5*	**3,797**	3,753
Selling and distribution expenses		**(2,060)**	(2,500)
General and administrative expenses		**(8,223)**	(9,581)
Other operating expenses		**(10)**	(515)
Profit from operations		**3,653**	1,042
Finance costs	*6 (a)*	**(1,110)**	(556)
Share of profits of associates		**6**	4
Share of profits of joint venture		**636**	7,197
Profit before taxation	*6*	**3,185**	7,687
Income tax	*7*	**(290)**	(168)
Profit for the period		**2,895**	7,519
Attributable to:			
Equity shareholders of the Company		**2,869**	7,545
Non-controlling interests		**26**	(26)
Profit for the period		**2,895**	7,519
Earnings per share			
Basic and diluted	*9*	**US$0.10 cent**	US$0.28 cent

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

	For the six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Profit for the period	**2,895**	7,519
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
– Equity investments at FVOCI – net movement in fair value reserve (non-recycling)(with nil tax effect)	**(70)**	–
– Share of other comprehensive income of joint venture (with nil tax effect)	**(3,155)**	–
– Exchange differences on translation of financial statements of subsidiaries and associates (with nil tax effect)	**(191)**	(202)
Total comprehensive (loss)/income for the period	**(521)**	7,317
Attributable to:		
Equity shareholders of the Company	**(547)**	7,734
Non-controlling interests	**26**	(417)
Total comprehensive (loss)/income for the period	**(521)**	7,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Notes	As at 30 June 2020 US$'000	As at 31 December 2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**40,092**	42,989
Investment properties		**3,272**	3,265
Intangible assets		**315**	307
Interest in associates		**308**	307
Interest in joint venture		**39,995**	42,514
Other financial assets		**256**	326
Prepayment		**–**	60
Lease receivables		**6,278**	6,044
Deferred tax assets		**1,778**	1,775
		92,294	97,587
CURRENT ASSETS			
Inventories		**150,885**	149,028
Trade and other receivables	*11*	**77,112**	64,824
Contract assets		**1,275**	1,268
Lease receivables		**21,866**	3,561
Amount due from a related company		**101**	101
Tax recoverable		**132**	826
Pledged bank deposits		**1,391**	1,051
Cash and cash equivalents		**30,178**	35,021
		282,940	255,680
Non-current assets classified as held for sale		**2,864**	2,911
		285,804	258,591

	Notes	As at 30 June 2020 US$'000	As at 31 December 2019 US$'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**195,279**	189,417
Contract liabilities		**30,740**	29,034
Bank loans		**1,977**	5,023
Lease liabilities		**20,953**	1,124
Tax payable		**4,136**	4,191
		253,085	228,789
NET CURRENT ASSETS		**32,719**	29,802
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,013**	127,389
NON-CURRENT LIABILITIES			
Bank loans		**3,530**	4,161
Lease liabilities		**2,296**	2,814
		5,826	6,975
NET ASSETS		**119,187**	120,414
CAPITAL AND RESERVES			
Share capital		**39,191**	39,191
Reserves		**80,612**	81,865
Total equity attributable to equity shareholders of the Company		**119,803**	121,056
Non-controlling interests		**(616)**	(642)
TOTAL EQUITY		**119,187**	120,414

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company												
	Share capital *US$'000*	**Share premium** *US$'000*	**Merger reserve** *US$'000*	**Exchange reserve** *US$'000*	**Share reserve held for share award plan** *US$'000*	**Capital reserve** *US$'000*	**Revaluation reserve** *US$'000*	**Reserve funds** *US$'000*	**Fair value reserve (non-recycling)** *US$'000*	**Accumulated losses** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
Balance at 1 January 2019	18,854	182,447	2,161	(16,020)	(1,285)	5,482	627	8,509	(3,660)	(168,462)	28,653	(255)	28,398
Changes in equity for the six months ended 30 June 2019:													
Profit for the period	–	–	–	–	–	–	–	–	–	7,545	7,545	(26)	7,519
Other comprehensive income	–	–	–	189	–	–	–	–	–	–	189	(391)	(202)
Total comprehensive income	–	–	–	189	–	–	–	–	–	7,545	7,734	(417)	7,317
Issue of new shares	18,768	65,512	–	–	–	–	–	–	–	–	84,280	–	84,280
Equity-settled share-based transactions	–	–	–	–	(930)	–	–	–	–	–	(930)	–	(930)
Balance at 30 June 2019 (unaudited)	37,622	247,959	2,161	(15,831)	(2,215)	5,482	627	8,509	(3,660)	(160,917)	119,737	(672)	119,065
Balance at 1 January 2020	39,191	250,735	2,161	(15,537)	(2,801)	5,482	627	8,908	(8,550)	(159,160)	121,056	(642)	120,414
Changes in equity for the six months ended 30 June 2020:													
Profit for the period	–	–	–	–	–	–	–	–	–	2,869	2,869	26	2,895
Other comprehensive income	–	–	–	(191)	–	–	–	–	(3,225)	–	(3,416)	–	(3,416)
Total comprehensive income	–	–	–	(191)	–	–	–	–	(3,225)	2,869	(547)	26	(521)
Purchase of shares for share award scheme	–	–	–	–	(706)	–	–	–	–	–	(706)	–	(706)
Transfer to reserve fund	–	–	–	–	–	–	–	204	–	(204)	–	–	–
Balance at 30 June 2020 (unaudited)	39,191	250,735	2,161	(15,728)	(3,507)	5,482	627	9,112	(11,775)	(156,495)	119,803	(616)	119,187

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Operating activities		
Cash used in operations	**(4,016)**	(13,921)
Income tax refunded/(paid)	**349**	(167)
Net cash used in operating activities	**(3,667)**	(14,088)
Investing activities		
Payment for the purchase of property, plant and equipment	**(29)**	(335)
Payment for subscription of shares in a joint venture	**–**	(37,000)
Collection of notes receivables	**3,831**	–
Interest received	**1,059**	922
Increase in pledged bank deposits	**(340)**	(139)
Net cash generated from/(used in) investing activities	**4,521**	(36,552)
Financing activities		
Proceeds from issue of new shares	**–**	83,350
Proceeds from a bank loan and other borrowings	**664**	1,475
Repayment of bank loans	**(3,555)**	(2,294)
Interest paid	**(1,111)**	(556)
Capital element of lease rental paid	**(555)**	–
Interest element of lease rental paid	**(92)**	–
Payments for purchase of shares under share award scheme	**(706)**	–
Net cash (used in)/generated from financing activities	**(5,355)**	81,975
Net (decrease)/increase in cash and cash equivalents	**(4,501)**	31,335
Cash and cash equivalents at 1 January	**35,021**	19,805
Effect of foreign exchanges rates change	**(342)**	(21)
Cash and cash equivalents at 30 June	**30,178**	51,119

NOTES TO THE FINANCIAL STATEMENTS – UNAUDITED

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and was listed on the Main Board (the "**Main Board**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 June 2009.

The condensed consolidated financial statements for the six months ended 30 June 2020 have not been audited nor reviewed by the Company's auditors, but have been reviewed by the Company's audit committee. The Company's audit committee has no disagreement with the accounting treatments which had been adopted by the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, including compliance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investments in equity securities which are stated at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

In the current period, the HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of these amendments had no significant financial impact on these unaudited condensed consolidated financial statements.

The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. REVENUE

The principal activities of the Group are the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs, sales of oilfield expendables and supplies, and the provision of asset management and engineering services.

All revenue by major products or service lines is as follows:

	Unaudited	
	For the six months ended	
	30 June 2020	30 June 2019
	US$'000	*US$'000*
Capital equipment and packages		
− Sales of capital equipment	**6,826**	13,510
Oilfield expendables and supplies		
− Sales of expendables and supplies	**20,966**	15,054
Asset management and engineering services		
− Asset management and engineering service fee income	**3,379**	3,822
	31,171	32,386

4. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business units (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Capital equipment and packages: the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs
- Oilfield expendables and supplies: the manufacturing and trading of oilfield expendables and supplies
- Asset management and engineering services: the provision of management, lease and purchase and sales of rigs and engineering services

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, non-current lease receivables and current assets with the exception of interest in associates and joint venture, other financial assets, cash and cash equivalents, pledged bank deposits, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables, lease liabilities and provisions attributable to the activities of the individual segment, with the exception of bank loans, tax balances and other unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segment. To arrive at segment results, the Group's earnings are further adjusted for finance costs and items not specifically attributable to individual segment, such as share of results of associates and joint venture, Directors' and auditors' remuneration and other head office or corporate income and expenses.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), depreciation and amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

Disaggregation of revenue from contracts with customers by major products or service lines, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Asset management and engineering services		Total	
	Unaudited		**Unaudited**		**Unaudited**		**Unaudited**	
	For the period ended		**For the period ended**		**For the period ended**		**For the period ended**	
	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**6,826**	13,510	**20,966**	15,054	**3,379**	3,822	**31,171**	32,386
Inter-segment revenue	**1,029**	775	**3,343**	6,292	**24**	501	**4,396**	7,568
Reportable segment revenue	**7,855**	14,285	**24,309**	21,346	**3,403**	4,323	**35,567**	39,954
Reportable segment results	**1,134**	139	**1,907**	1,087	**2,183**	823	**5,224**	2,049

The segment assets and liabilities as at 30 June 2020 and 31 December 2019 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Asset management and engineering services		Total	
	As at 30 June 2020 (unaudited)	As at 31 December 2019	**As at 30 June 2020 (unaudited)**	As at 31 December 2019	**As at 30 June 2020 (unaudited)**	As at 31 December 2019	**As at 30 June 2020 (unaudited)**	As at 31 December 2019
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Reportable segment assets	**189,377**	205,494	**64,949**	55,965	**44,586**	3,896	**298,912**	265,355
Reportable segment liabilities	**(186,360)**	(195,553)	**(23,448)**	(16,359)	**(30,076)**	(1,522)	**(239,884)**	(213,434)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	Unaudited For the six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**35,567**	39,954
Elimination of inter-segment revenue	**(4,396)**	(7,568)
Consolidated revenue	**31,171**	32,386
Profit		
Segment results	**5,224**	2,049
Finance costs	**(1,110)**	(556)
Share of profits of associates	**6**	4
Share of profits of joint venture	**636**	7,197
Unallocated head office and corporate income and expenses	**(1,571)**	(1,007)
Consolidated profit before taxation	**3,185**	7,687

	As at 30 June 2020 (unaudited)	As at 31 December 2019
	US$'000	*US$'000*
Assets		
Reportable segment assets	**298,912**	265,355
Interest in associates	**308**	307
Interest in joint venture	**39,995**	42,514
Other financial assets	**256**	326
Cash and cash equivalents	**30,178**	35,021
Pledged bank deposits	**1,391**	1,051
Deferred tax assets	**1,778**	1,755
Tax recoverable	**132**	826
Unallocated head office and corporate assets	**5,148**	9,023
Condensed consolidated total assets	**378,098**	356,178
Liabilities		
Reportable segment liabilities	**(239,884)**	(213,434)
Bank loans	**(5,507)**	(9,184)
Tax payable	**(4,136)**	(4,191)
Unallocated head office and corporate liabilities	**(9,384)**	(8,955)
Consolidated total liabilities	**(258,911)**	(235,764)

(c) Geographic information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, intangible assets, interest in associates and joint venture, other financial assets, non-current portion of prepayments ("**specified non-current assets**"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, investment properties and the location of the operations to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates and joint venture, other financial assets, non-current portion of prepayment.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2019 (unaudited)	**As at 30 June 2020 (unaudited)**	As at 31 December 2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**–**	–	**1,020**	880
Mainland China	**10,533**	16,455	**42,475**	45,285
North America	**10,879**	10,017	**703**	1,044
South America	**4,102**	2,941	**24**	28
Europe	**1,831**	2,610	**–**	–
Singapore	**3,826**	361	**13**	2
Middle East	**–**	–	**39,995**	42,514
Others	**–**	2	**8**	15
	31,171	32,386	**84,238**	89,768

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended	
	30 June 2020	30 June 2019
	US$'000	*US$'000*
Interest income	**305**	922
Government subsidies	**381**	25
Reversal of impairment losses on trade receivables and contract assets	**1,680**	2,546
Interest income arising from lease arrangements	**696**	–
Others	**735**	260
	3,797	3,753

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Unaudited For the six months ended	
	30 June 2020	30 June 2019
	US$'000	*US$'000*
Interest on bank loans	**187**	556
Interest on lease liabilities	**923**	–
	1,110	556

(b) Other items

	Unaudited For the six months ended	
	30 June 2020	30 June 2019
	US$'000	*US$'000*
Amortisation of intangible assets	**75**	496
Depreciation	**2,182**	1,960
Reversal of impairment losses on trade receivables and contract assets	**(1,680)**	(2,546)
Net foreign exchange loss/(gain)	**626**	(688)
Gain on disposal of property, plant and equipment	**(5)**	(19)
Auditors' remuneration	**229**	265

7. INCOME TAX

	Unaudited For the six months ended	
	30 June 2020	30 June 2019
	US$'000	*US$'000*
Current tax		
Provision for the period		
– The People's Republic of China ("**PRC**") enterprise income tax	**(25)**	(8)
– Overseas corporate income tax	**(265)**	(220)
	290	(228)
Deferred tax		
Origination of temporary differences	**–**	60
	(290)	(168)

No provision for Hong Kong Profits Tax has been made as the Group has no any assessable profits subject to Hong Kong Profits Tax for the current and prior years. Taxation for subsidiaries in other jurisdictions is charged at the corresponding current rates of taxation ruling in the relevant jurisdictions. During both periods, certain PRC subsidiaries subject to tax at a reduced rate of 15% under the relevant PRC tax rules and regulations.

8. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2020 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$2,869,000 (six months ended 30 June 2019: US$7,545,000) and the weighted average number of 3,023,170,000 (six months ended 30 June 2019: 2,664,492,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 June 2020 and 2019 because there were no potential ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$29,000 (six months ended 30 June 2019: US$68,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 ***US$'000*** **(unaudited)**	As at 31 December 2019 *US$'000*
Trade debtors and bills receivables	**114,903**	103,986
Less: loss allowances	**(58,994)**	(61,032)
	55,909	42,954
Other receivables, prepayments and deposits	**18,649**	15,517
Notes receivables carried at amortised cost and related interest receivables	**2,554**	6,413
	77,112	64,884
Less: Non-current portion of prepayments	**–**	(60)
	77,112	64,824

The credit terms offered by the Group to its customers differ with each product/service. The credit terms offered to customers of oilfield expendables and supplies and asset management and engineering services are normally 30 to 90 days. The credit terms offered to customers of capital equipment and packages are negotiated on a case-by-case basis. Deposits ranging from 10% to 30% of the contract sum are usually required. The balance of 60% to 85% would be payable upon contract milestones being completed. The remaining 5% to 10% of the contract sum represents the retention money and is payable within up to 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier.

The ageing analysis of trade debtors and bills receivables (net of loss allowance), based on invoice date is as follows:

	As at 30 June 2020 ***US$'000*** **(unaudited)**	As at 31 December 2019 *US$'000*
Current	**14,321**	15,093
Less than 1 month past due	**7,712**	4,889
More than 1 month but within 3 months past due	**7,902**	3,085
More than 3 months but within 12 months past due	**9,140**	7,700
More than 12 months past due	**16,834**	12,187
Amounts past due	**41,588**	27,861
	55,909	42,954

12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *US$'000* **(unaudited)**	As at 31 December 2019 *US$'000*
Trade creditors and bills payables	**180,426**	175,093
Other payables and accrued charges	**9,133**	8,324
Amount due to joint venture	**5,720**	6,000
	195,279	189,417

Trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2020 *US$'000* **(unaudited)**	As at 31 December 2019 *US$'000*
Within 1 month	**163,946**	160,767
More than 1 month but within 3 months	**2,224**	3,745
More than 3 months but within 12 months	**8,280**	4,742
More than 12 months but within 24 months	**1,510**	2,615
More than 24 months	**4,466**	3,224
	180,426	175,093

13. EMPLOYEE SHARE-BASED ARRANGEMENT

The Group operates a share award plan as part of the benefits of its employees. Under the share award plan, the Board is allowed to make awards as long-term incentives for selected senior executives of the Group in addition to share option plan which they may be eligible to receive under the share award plan.

During the six months ended 30 June 2020, no shares were granted under the share award plan.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

CMIC Ocean En-Tech Holding Co., Ltd. ("**CMIC**" or the "**Company**", formerly known as "**TSC Group Holdings Limited**") was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company and its global subsidiaries (the "**Group**") are primarily engaged in asset investment and operation management of offshore platforms; design, manufacturing and service of oil and gas exploration and development and offshore engineering equipment and packages; and clean energy and technology investments.

In 2019, the Company made a breakthrough in the business of asset investment and operation management of offshore engineering platforms of Wealthy Marvel Enterprises Limited (the "**JV**" or "**WME**"), the joint venture of the Company and its substantial shareholder, China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) (the"**Fund**"), and operated eight jack-up drilling rigs by way of lease or sale. In 2020, the business of asset management of offshore engineering platforms continued to bring stable revenue to the Company. Its two CJ46 drilling rigs have been providing smooth services to Abu Dhabi National Oil Company for 18 months. TSC Offshore Corporation, a wholly-owned subsidiary of the Company, won the contract for the offshore drilling rig service project of Pemex, the national oil company of Mexico in September last year, providing PEMEX with two JU2000 jack-up drilling rigs. The rigs arrived Mexico in December last year. Currently, the two rigs are in operation in the region and are well received by the customers of PEMEX. The Company will continue its in-depth development and business expansion in the asset operation and management of offshore engineering platforms.

After many years of development, the businesses of oil and gas exploration and development and offshore engineering equipment and packages of the Company have become world leading. The principal businesses include the design, manufacture, installation and commissioning of onshore and offshore drilling rig equipment and packages, oil field engineering operation and maintenance as well as supply chain services. Specific equipment products include cranes, machine rack pipes, jacking systems, power control and transmission systems, tension adjustment and compensation devices and systems, etc.; and oilfield expendables, accessories and parts manufacturing, sale and repair services.

The Company pays close attention to the development of clean energy and technology related industries, proactively looks for the opportunities for investment and consolidation with marine energy science and technology related industries to realise synergistic effects of each business segments through investing in the undervalued opportunities along the industrial supply chain to enhance the overall performance of our business and maximise the interest of the shareholders and investors.

FINANCIAL REVIEW

	2020	2019	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**31,171**	32,386	(1,215)	(3.8)
Gross Profit	**10,149**	9,885	264	2.7
Gross Profit Margin	**32.6%**	30.5%		
Profit from operations	**3,653**	1,042	2,611	250.6
Net profit attributable to equity shareholders	**2,869**	7,545	(4,676)	(62.0)
Net profit Margin	**9.32%**	23.2%		
Earnings per Share (Basic and diluted)	**US$0.10 cent**	US$0.28 cent		

Revenue

The Group's revenue decreased from US$32.4 million in the first half year of 2019 to US$31.2 million in the first half year of 2020. The decrease of such revenue was mainly due to drop in orders delivered to customers under COVID-19 pandemic around the world.

Segment Information by Business Segments

	2020		2019		Increase/(decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Capital Equipment and Packages	**6,826**	**24.4**	13,510	41.72	(6,684)	(49.5)
Oilfield Expendables and Supplies	**20,966**	**73.3**	15,054	46.5	5,912	39.3
Asset Management and Engineering Services	**3,379**	**2.3**	3,822	11.8	(443)	(11.6)
Total revenue	**31,171**	**100.0**	32,386	100.0	(1,215)	(3.8)

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects decreased by 49.5% from US$13.5 million in the first half year of 2019 to US$6.8 million in the first half year of 2020. The COVID-19 pandemic retarded the pick-up of land rigs market and resulted to the drop of drilling related equipment of US$6.7 million.

Oilfield Expendables and Supplies

The increase of 39.3% from US$15.1 million in the first half year of 2019 to US$21.0 million in the first half year of 2020 for oilfield expendables and supplies was due to the increase in orders of oilfield expendables and supplies from the markets in Mexico with the increase in drilling operations.

Asset Management and Engineering Services

Engineering services revenue decreased from US$3.8 million in the first half year of 2019 to US$3.4 million in the first half year of 2020 mainly due to drop in demand.

Gross Profit and Gross Profit Margin

The gross profit in the first half year of 2020 increased by 2.7% from US$9.9 million in the first half year of 2019 to US$10.1 million in the same period in 2020. Gross profit margin increased from 30.5% in the first half year of 2019 to 32.6% in the first half year of 2020. The increase was mainly driven from project in Mexico.

Other Revenue and Net Income

Other revenue and net income slightly increased by 1.1% or US$44,000 from US$3.8 million in the first half year of 2019 to US$3.8 million in the first half year of 2020.

Selling and Distribution Expenses

Selling and distribution expenses decreased by US$0.5 million from US$2.5 million in the first half year of 2019 to US$2.1 million in the first half year of 2020. Selling and distribution expenses mainly comprised of sales staff salaries, commissions, marketing expenses including travel costs and other sales and promotional expenditure. The decrease of delling and distribution expenses during the year was due to the decrease in selling expenditures under cost control in 2020.

General and Administrative Expenses

General and administrative expenses decreased from US$9.6 million in the first half year of 2019 to US$8.2 million in the first half year of 2020. The decrease was mainly due to decrease in staff and business activities under the COVID-19 pandemic.

Other Operating Expenses

The decrease in other operating expenses from US$0.5 million in the first half year of 2019 to US$0.1 million in the first half year of 2020 was mainly due to the one-time expenditure in the prior year.

Finance Costs

Finance costs, primarily interest on bank loans and interest on lease liabilities, amounted to approximately US$1.1 million in the first half year of 2020. It increased by US$0.5 million from US$0.6 million in the first half year of 2019. The increase was mainly recognition of interest on lease liabilities in the first half year of 2020.

Share of Profits of Joint Venture

The share of profits of joint venture decreased from US$7.2 million in the first half year of 2019 to US$0.6 million in the first half year of 2020, mainly due to the one-time gain from selling of rigs in the first half year of 2019 and the absence of the relevant items in 2020.

Group's Liquidity and Capital Resources

As at 30 June 2020, the Group carried tangible assets of approximately US$46.2 million (31 December 2019: US$49.2 million) being property, plant and equipment, investment properties, and non-current assets held for sale under operating lease.

As at 30 June 2020, the Group's intangible assets was approximately US$0.3 million (31 December 2019: US$0.3 million). As at 30 June 2020, the Group's interest in associates was approximately US$0.3 million (31 December 2019: US$0.3 million), interest in joint venture was approximately US$40.0 million (31 December 2019: US$42.5 million) and deferred tax assets was approximately US$1.8 million (31 December 2019: US$1.8 million).

As at 30 June 2020, the Group's current assets amounted to approximately US$285.8 million (31 December 2019: US$258.6 million). Current assets mainly comprised of inventories of approximately US$150.9 million (31 December 2019: US$149.0 million), trade and other receivables of approximately US$77.1 million (31 December 2019: US$64.8 million), contract assets of approximately US$1.3 million (31 December 2019: US$1.3 million) and lease receivables (current) of approximately US$21.9 million (31 December 2019: US$3.6 million).

As at 30 June 2020, amount due from a related company amounted to approximately US$0.1 million (31 December 2019: US$0.1 million), pledged bank deposits amounted to approximately US$1.4 million (31 December 2019: US$1.1 million) and cash and cash equivalents amounted to approximately US$30.1 million (31 December 2019: US$35.0 million).

As at 30 June 2020, current liabilities amounted to approximately US$253.1 million (31 December 2019: US$228.8 million), mainly comprised of trade and other payables of approximately US$195.3 million (31 December 2019: US$189.5 million), bank loans of approximately US$2.0 million (31 December 2019: US$5.0 million), and current tax payable of approximately US$4.2 million (31 December 2019: US$4.2 million). The decrease in short-term bank loans was mainly due to the repayment of the bank loans. Contract liabilities amounted to US$30.7 million (31 December 2019: US$29.0 million) and lease liabilities amounted to US$20.9 million (31 December 2019: US$1.1 million).

As at 30 June 2020, the Group had non-current liabilities of approximately US$5.8 million (31 December 2019: US$7.0 million), which comprised of bank loans of approximately US$3.5 million (31 December 2019: US$4.2 million) and lease liabilities of approximately US$2.3 million (31 December 2019: US$2.8 million). The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the gearing ratio, being the Group's total liabilities to total assets, under 100%. The gearing ratio as at 30 June 2020 was 68.5% (31 December 2019: 66.2%).

Significant Investments and Disposals

There was no other significant investments or disposals during the reporting period.

Capital Structure

At the beginning of the year on 1 January 2020, there were 3,069,039,117 shares in issue (the "**Shares**") and the Company carried a share capital of approximately US$39,191,000. There was no issue of shares during the first six months of 2020.

Charges on Assets

To secure the loans from banks, the Group has charged certain assets to banks. Details are set out as follows:

(i) Land and buildings and plant and machinery with aggregate net book value of US$25.0 million (2019: building, inventories, trade receivables and plant and machinery with aggregate net book value of US$18.9 million).

(ii) Corporate guarantees given by the Company to the extent of banking facilities outstanding of US$Nil (2019: US$2.2 million) as at 30 June 2020.

Certain bank loans of the Group are subject to the fulfilment of covenants relating to statement of financial position ratios of certain subsidiaries, as are commonly found in lending arrangements with financial institutions. The drawn down loan balances would become payable on demand if the covenants are breached.

The Group regularly monitors its compliance with these covenants. As at 30 June 2020, none of the covenants relating to the Group's bank loans had been breached.

Foreign Currency Exchange Exposures

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure resulting from most of the Group's subsidiaries in the PRC carrying out production locally using Renminbi while approximately 50% of the Group's revenue was denominated in United States dollars. As at 30 June 2020, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, the Company may utilise foreign currency forward contracts to better match the currency of its revenues and associated costs in the future. However, the Company does not use foreign currency forward contracts for trading or speculative purposes. The Group will actively explore ways to hedge or reduce currency exchange risk in future.

Staff Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 431 full-time staff in the United States, the United Kingdom, Brazil, Mexico, Singapore, Hong Kong and the PRC. The Group's remuneration policy is basically determined by the performance of individual employees and the market conditions. The Group also provides other benefits to its employees, including medical schemes, pension contributions, share award incentive scheme etc.

USE OF PROCEEDS

Reference is made to the announcement of the company dated 1 February 2019 in relation to the results of the rights issue, the supplemental announcement of the Company dated 17 September 2019 in relation to the use of proceeds under the rights issue (the "**Supplemental Announcement**") and the annual report of the Company for the year ended 31 December 2019 published by the Company on 21 April 2020 (the "**Annual Report**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Annual Report.

Update on the Use of Proceeds from the Right Issue

Save as the disclosure in the Annual Report, the Board wishes to provide further information regarding the net proceeds from the rights issue completed in February 2019 (the "**Rights Issue**") pursuant to paragraph 11(8) of Appendix 16 to the Listing Rules, details of which are set out below:

The Company had received net proceeds of approximately HK$657.3 million raised from Rights Issue. HK$147.8 million of the raised proceeds remained unutilised as at 31 December 2019.

The use of proceeds from the Rights Issue as at 31 December 2019, 30 June 2020 and date of this announcement are as follows:

	Amount for intended use *(HK$ million)*	**Utilised amount in 2019** *(HK$ million)*	**Unutilised amount as at 31 December 2019** *(HK$ million)*	**Utilised amount up to 30 June 2020 and the date of this announcement** *(HK$ million)*	**Unutilised amount as at 30 June 2020 and the date of this announcement** *(HK$ million)*
Subscription of shares of joint venture or other investments	460.1	320.5	139.6	375.3	84.8
Repayment of debts of the Group	131.5	126.0	5.5	131.5	–
General working capital of the Group	65.7	63.0	2.7	65.7	–
Total	657.3	509.5	147.8	572.5	84.8

As at 30 June 2020 and the date of this announcement, the use of the proceeds has not exceeded the proposed use of the proceeds as disclosed in the Supplemental Announcement and the total balance of the unutilised proceeds is approximately HK$84.8 million, all of which are allocated to subscription of shares of joint venture or other investments.

Change in Expected Timeline for Utilising the Proceeds

The table below illustrates the amounts originally expected to be utilised by 31 December 2019, the unutilised amounts as at 31 December 2019 and the revised expected timeline for utilisation of proceeds:

	Amounts originally expected to be utilised by 31 December 2019 *(HK$ million)*	**Unutilised amounts as at 31 December 2019** *(HK$ million)*	**Revised expected timeline for fully utilising the unutilised proceeds**
Subscription of shares of joint venture or other investments	209.2	139.6	By 31 December 2021
Repayment of debts of the Group	57.1	5.5	By 28 August 2020
General working capital of the Group	22.5	2.7	By 28 August 2020
Total	288.8	147.8	

As disclosed in the Supplemental Announcement, the remaining proceeds of the Rights Issue in the amount of HK$288.8 million were expected to be utilised by 31 December 2019. As at 31 December 2019, HK$147.8 million of the raised proceeds remained unutilised. The delay in the use of proceeds from the Rights Issue was primarily due to the fact that the Company had not been able to identify suitable targets for investment other than investment in the joint venture announced by the Company on 25 November 2018 and the market since then had not been appropriate for such investment. The directors of the Company considered that 2019 was not an appropriate window for the utilisation of all the remaining proceeds designated for the subscription of shares of joint venture or other investments as originally disclosed in the Supplemental Announcement.

The proceeds originally designated for repayment of debts of the Group and general working capital of the Group were utilised largely in 2019 and completely utilised as at 30 June 2020 and the date of this announcement. The slight delay was due to administrative processing and impact of the pandemic.

The Board has adjusted the expected timeline for fully utilising the remaining proceeds from the Rights Issue as above, after considering the decline of both demand and supply of crude oil as a result of social distancing and shutdown of economic activities caused by the outbreak of the pandemic and its adverse impact on the drilling market. It still takes some time for economies to restore and recover.

Based on the estimation of the Board as at the date of this announcement, the remaining proceeds from the Rights Issue are expected to be utilised by 31 December 2021.

STRATEGY AND PROSPECTS

Industry Review

1. Crude oil market trend: the price of crude oil fluctuated sharply

Since 2020, due to the global spread of COVID-19, although the global supply chain, industry chain and value chain have been hit hard, the economic turmoil caused by it is different from the economic recession in 1929 and the subprime mortgage crisis in 2008 where the internal imbalance of the economy is not prominent. The social distancing and shutdown of economic activities caused by the COVID-19 pandemic have resulted in the decline of both the supply and demand, and the crisis of the real economy gives mixed messages to the financial market. It still takes some time for carious economies to restore and recover, but the theoretically the time of recovery must be shorter than that of 2008 and 1929.

Due to the profound stagnation of economic activities caused by the COVID-19 pandemic, demand for crude oil dropped significantly and the supply imbalance caused the prices of WTI crude oil and Brent crude oil to fall rapidly in the first half year of 2020. As a result of the production reduction agreement between the OPEC and various countries, the oil price gradually recovered to the level of approximately US$40 per barrel. According to the analysis of Rystad, an internationally renowned research institute, demand for oil saw a V-shaped trend where it hit the lowest point in April 2020 and improved in May 2020. It is expected that the average demand for oil throughout 2020 will be 8,700 to 8,800 barrels per day, down by 10.9% from 2019, and the average demand for oil in 2021 will be 9,300 to 9,700 barrels per day. By 2021, the market will further recover and is expected to fully resume the level of demand between 2022 and 2023.

2. The recovery of offshore drilling market was affected by the COVID-19 pandemic

The offshore drilling market is highly cyclical and has a cycle of approximately 5 to 6 years. In 2019, as the supply-demand relationship further improved, the daily rate of rigs saw significant signs of recovery. To put it this way, various indicators will continue to recover in 2020 based on historical pattern if not affected by the COVID-19 pandemic. The offshore drilling market is in the upstream of offshore oil exploration. Since the COVID-19 outbreak, major oil companies have started cutting their capital expenditures by approximately US$62.5 billion, about 27% lower than the budget. According to the latest market analysis report of JP Morgan, an internationally renowned investment bank, the overall capital expenditure of the drilling industry is expected to decrease by 25% in 2020 from 2019. The COVID-19 pandemic has a relatively smaller impact on the shallow water drilling market, with the shale oil exploration being the hardest hit segment, followed by oil sands, medium to deep water drilling market and FPSO.

In the long run, in order to maintain the balance of oil exploration and production, there is huge room for the growth of capital expenditure on oil exploration in the future. As the demand for oil gradually recovers, the capital expenditure on upstream exploration will also be resumed. On the other hand, the longer the impact of the COVID-19 pandemic, the more suppressed is the upstream capital expenditure. The “rebound” growth upon recovery of oil demand will be faster and the first recovery will definitely be the upstream exploration and drilling business.

3. *Demand and supply of offshore drilling platforms*

The global offshore drilling market faced serious oversupply after the offshore drilling market rout in 2014. The year 2016 marked the year with the world’s largest number of offshore shallow water jack-up rigs cumulatively. With the absorption of inventory of offshore drilling rigs in the following three to four years due to reasons including ship owners’ abandonment, shipyard suspension and bankruptcy restructuring, there were more than 40 offshore drilling rigs remained in the shipyard’s inventory.

Affected by the COVID-19 pandemic, the drilling rig contracts are cancelled or delayed and the daily rate of rigs already entered into contract is subject to adjustment and it is highly likely that the offshore drilling rig contracts proposed to commence this year or next year will be postponed or cancelled. Those affected drilling rigs will be stacked. If they are idle for a long period of term, the possibility of reactivation will be greatly reduced, or they will be directly abandoned. In other words, although the COVID-19 pandemic has postponed the recovery of the offshore drilling industry, it will also further accelerate the exit of old drilling rigs (especially old drilling rigs without long-term leases) from the market, which acts as a “catalyst” to regulate the supply and demand of the market.

According to the statistics of Clarksons, an analytics company, as of the first half year of 2020, the demand for offshore jack-up drilling rigs amounted to 355, with a utilisation rate of 73%. It is expected that the demand for jack-up drilling rigs will be 324 by the end of 2020, with a utilisation rate of 68%.

From the perspective of drilling rig leases, as of June 2020, the average wet lease daily rate for global offshore jack-up rigs decreased by 10% to US$86,000 per day from the end of 2019. In particular, the average wet lease rate for standard jack-up rigs was US$56,000 per day and the average wet lease rate for high-spec jack-up rigs was US$106,000 per day. In the first half of the year, the daily rate of rigs in the area where CMIC’s drilling rigs are located was not affected.

4. *Offshore drilling platform operators*

Since 2014, industry concentration has been accelerating. In recent five to six years, Valaris has become the largest fleet owner after merger between Ensco and Rowan. In 2019, Hercules went bankrupt. Paragon was established after spin-off of part of Noble's shallow water drilling platform. Borr Drilling acquired part of Paragon's shallow water drilling platform assets and second-hand assets to rapidly expand its fleet size. Upon merger between NDC and ADNOC, the shallow water drilling rigs have been incorporated into ADNOC. Maersk is principally engaged in deep water drilling business and has narrowed its business of shallow water drilling rigs in other regions to the North Sea region.

According to the statistics of Clarksons, the number of platforms owned by the top 20 companies in the industry accounted for 53% of the total in 2016 and 61% in 2020, reflecting a moderate to strong industry concentration toward leading players. The jack-up drilling rigs market has been relatively fragmented. It is likely that small drilling companies may go bankrupt or actively seek integration as a result of the COVID-19 outbreak. The sudden COVID-19 outbreak will, to a certain extent, accelerate industry consolidation.

As of the first half year of 2020, in terms of the number of jack-up drilling rigs, Valaris had 50 jack-up drilling rigs; Shelf Drilling ranked second with 37 jack-up drilling rigs; CNOOC ranked third with 33 jack-up drilling rigs; and Borr Drilling ranked fourth with 28 jack-up drilling rigs.

The increase in industry concentration also reflected:

1) Leading players are gradually gaining market competitiveness, which can further enhance their market bargaining power and stimulate the rapid recovery of the rental market.

2) Leading players are gradually integrating small offshore drilling operators to effectively adjust platform resources, thus accelerating the exit of old platforms without leases.

3) The leasing market of offshore drilling industry itself is relatively closed, with its own market rules, and it is never possible to secure a lease through price war (by lowering the price). It is easier for large-scale and credible offshore drilling operators that have a long-term relationship with large oil companies to obtain leases and therefore they are strong competitors in the market.

5. Land oil drilling activities

The world's land drilling rigs are mainly located in the United States, Canada, China and Russia. According to Rystad, an internationally renowned research institute, the land drilling activities and number of drilling rigs in the United States in 2020 has reached the "lowest point" in nearly three decades. Since the end of 2014, the land drilling rigs in operation in the United States has dropped sharply, from approximately 1,900 rigs at the end of 2014 to 379 rigs in May 2016, the lowest point, in one and a half years' time. Since mid-2016, the international oil and gas market has bottomed out and picked up and showed a turnaround trend. The land oil and gas drilling activities and number of drilling rigs in the United States gradually increased to 747 rigs at the end of 2017 and further increased to 883 rigs at the end of 2018. At the end of 2019, the number of land drilling rigs in operation in the United States at the end of 2019 was 805 rigs, slightly less than that in 2018. Since the beginning of April 2020, the number of drilling rigs has fallen to 664 rigs affected by the COVID-19 outbreak, which further decreased to 265 as at 30 June, marking an extremely historical low since 1975. It is expected that with the gradual control of the pandemic worldwide in the second half of the year, the number of land oil drilling rigs in the United States will begin to stabilise and pick up, and some drilling operators have started to resume drilling operations at the prevailing Brent crude oil price of US$40 per barrel.

On the contrary to the downturn of land oil and gas market in the United States, the land oil and gas exploration in China has been booming in the recent two years. As a result of the increasing reliance of China on oil imports, the PRC government has called for greater efforts in exploration and development to ensure national energy security. Since 2018, various oil and gas development and exploration enterprises have successively took part in the large-scale oil battle. In early 2019, in view of the then resource situation, CNPC, Sinopec and CNOOC proposed to raise the annual production target and formulated the "seven-year action plan" respectively. Xinjiang Oilfield, Qinghai Oilfield and Tuha Oilfield, which are located in the western part of China, have successively launched their battle of enhanced productivity, and CNPC Xibu Drilling closely followed the target of expanding reserves and increasing productivity of the three major oil fields in the western part of China and carried out the "100-day battle". With respect to CNPC's drilling project in Sichuan and Chongqing, 148 teams participated in the drilling of the Changqing well, utilising more than 300 drilling rigs, with a cumulative drilling footage of 5.4 million meters per year and more than 7,000 layers of fracturing acidification, both setting a record high.

In May 2020, National Development and Reform Commission and National Energy Administration jointly issued the Guiding Opinions on 2020 Tasks for Energy Security, which provides guidelines on investment in exploration and development, construction of key oil and gas basins, development of unconventional oil and gas resources and other major areas, calling for proactive efforts to stabilise production and increase production of oil and gas in China as well as requiring complete accomplishment of the "seven-year action plan" from 2019 to 2025. Amid the prevailing sluggish oil and gas industry, the promulgation of the above has firmly established the state's belief in the long-term development of the oil and gas industry in China. From the policy perspective, the state has clearly defined the development direction for the oil industry, and increased efforts in oil and gas exploration and development will continue to be the main axis in the long-term, and the coming years remain the key period for China's oil battle.

6. Offshore wind power installation market

In 2018, the world's offshore wind power installed capacity increased by 4.3GW and the total installed capacity reached 23GW. In 2019, the newly installed capacity of offshore wind power worldwide was 5.2GW, setting a record high in terms of new installed capacity in a single year. 16 new offshore wind farms were put into operation in China, the United Kingdom, Germany, Denmark, Belgium, Taiwan and other regions.

The world's offshore wind power has been growing rapidly each year since 2010, with an average annual growth rate of nearly 30%. According to Offshore Wind Outlook 2019, the latest report from the International Energy Agency, it is expected that the wind power deployment in Asia's waters (mainly China, India, Taipei of China, South Korea, Japan, Indonesia, the Philippines and Vietnam) will undergo dramatic changes in the next three decades, where Asia will eventually dominate the world's offshore wind power generation facilities market, with a total capacity of over 100GW by 2030 and over 600GW by 2050. China will see significant development in the offshore wind power industry, with China's installed capacity reaching approximately 56GW by 2030 and 382GW by 2050. The rapid growth of the offshore wind power installation market will increase the demand for offshore wind power installation, operation and maintenance related vessels, equipment and spare parts accordingly.

BUSINESS REVIEW

In the first half year of 2020, faced with the uncertainties brought by the COVID-19 pandemic and the declining industry demand, CMIC achieved business growth amid adversity as compared to the same period of last year through proactive business expansion and continued efforts to reduce costs and enhance efficiencies.

Facing the downturn of the overall oil and gas, offshore engineering and offshore drilling markets, the Company adjusted its business direction and key target markets in a timely manner. While focusing on the development of wind power installation platforms and equipment market, the Company's jacking systems have been installed and used in a number of wind power installation platforms, making the Company one of the few companies in the world that can provide such products. In terms of key regional markets, the Company continued to exert efforts in the hotspot oil and gas regional markets, such as the oil and gas markets in western China, Sichuan and Chongqing and the regional market in Mexico, and secured large orders and sales revenue in these markets in the first half of the year, including power control system, modification of drilling rigs, spare parts supply and platform leasing.

In respect of offshore asset leasing business, the two CJ46 jack-up drilling rigs owned by WME, a joint venture of the Group, have continued to provide drilling services to the Abu Dhabi National Oil Company since the beginning of this year, and the rigs are in good operating condition. With respect to the Mexico project, the two JU2000E jack-up drilling rigs have started providing drilling services to the national oil company of Mexico since April this year, and are well received by customers and have the opportunity to secure additional incentive service orders.

In terms of new product development, the Company actively maintained cooperation with key customers, universities and research institutes to generate synergies from industry-university-research cooperation. Coupled with its own engineering and technological advantages, the Company specialised in the new target markets to carry out product research and development, including smart cranes and mechanized equipment for rigs, to maintain ongoing product competitiveness.

In terms of cost reduction and efficiency enhancement, the Company improved management efficiency and reduced management costs through optimising business segment, streamlining organisation, and shutting down redundant companies at home and abroad. By strengthening the control of cash costs, disposal of old inventories and low-efficiency assets, and collection of accounts receivable, especially accounts receivable with provisions made, the Company accelerated the recovery of funds and improved the cash flow position.

In the first half year of 2020, the Company's sales revenue amounted to US$31.2 million, representing a decrease of 3.8% over the same period last year. As at the end of June, the net profit attributable to equity shareholders was approximately US$2.9 million, representing a decrease of 62% over the same period last year.

STRATEGY, PROSPECTS AND ORDER BOOK

Since 2020, the global economy has been in stagnation due to the impact of the COVID-19 pandemic. The world, being hard hit by the COVID-19, saw a rare all-round plummet in the international oil prices, and the offshore engineering market, which was gradually recovering, was also forced into a recession. The transformation and layout of CMIC's offshore asset management business and the restructuring framework of TSC's PRC business were basically completed last year. Faced with the unexpected environment and market crisis this year, CMIC responded in a timely manner and sought for survival. As a result, operating profit slightly improved as compared with the same period of last year. The Company will continue to push ahead and implement the strategies and business directions formulated at the beginning of the year.

With respect to the offshore asset management business, the global economy and oil market will return to the right track in the next one to two years with the gradual containment of the COVID-19 pandemic and the recovery of oil demand. In this process, old platforms without long-term leases in the offshore engineering market will be gradually phased out from the market, and the demand and supply relationship will be further improved. The full recovery is only a matter of time. The COVID-19 pandemic and the low oil price environment have also extended the value investment window of counter-cyclical layout for the offshore engineering market that has been in the process of recovery, and brought new opportunities to strengthen the marketisation operation of the offshore asset management business amid market doldrums. The Company will seize the prominent historic moment of the restructuring of the offshore engineering industry and asset merger and acquisition. Capitalising on the resource advantages of strategic shareholders and partners at home, the Company will recover capital from fixed income of asset leasing through recycling capital efficiently, and improve the efficiency of capital operation by capitalising on the leverage effect of financial leasing, etc., to continuously inject high-quality platform assets while expanding the global layout of the offshore asset management business and strengthening the vertical extension of the whole industrial chain of offshore energy, thus achieving integrated development of the whole industrial chain of offshore engineering equipment manufacturing as well as platform operation and management.

In terms of oil and gas exploration and development and offshore engineering related equipment business, the Company will continue to proactively develop high-end equipment manufacturing, in particular the offshore wind power installation related equipment and service, and explore transition from the traditional drilling accessories supply business to provision of supply chain and operation and maintenance services to global oil and gas and offshore engineering customers. The development in concert with offshore asset management business will provide customers with efficient and long-term equipment maintenance and spare parts. The Company will proactively try new business models, such as a new sales model that combines core equipment including drilling equipment, power control equipment, jacking equipment and cranes with financial leasing.

CMIC will also actively establish strategic cooperation with leading players such as Valaris and Shelf Drilling to coordinate business development and actively seek business expansion amid the COVID-19 pandemic and low oil price environment.

As to key regional markets, the Company will continue to focus on oil and gas and offshore engineering hotspots, such as Mexico, the North Sea, the Middle East, West Africa, Brazil, North America and China.

The Company will continue to strengthen and standardise the management process, further implement measures to improve quality and efficiency to further control costs and reduce expenses. The Company will repay its shareholders for their long-term support through the improvement of the Company's profitability and cash flow position as well as the increase in share price.

PLANS FOR FUTURE MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

The Group strategically positioned itself as "a world-class operator delivering the integrated chain value of offshore energy technology". The Group will seek potential resource integration and investment opportunities around the marine, energy and technology industry chain. The Group will place its investment focus on the following potential opportunities: opportunities for investment in high-tech technology and intelligent manufacturing fields that are synergistic with the Group's original high-end equipment manufacturing; it will leverage on the capital financing advantages of the Fund and listing as well as asset lease and sales to seek potential opportunities to expand offshore asset management business projects and for integration of upstream and downstream enterprises; the Group will proactively explore investment, integration and acquisition opportunities in fields of clean energy including offshore wind power installation equipment and service, LNG as well as the fields of artificial intelligence, big data, and Internet of Things.

In assessing the potential investment or acquisition targets, the Group considers a combination of factors such as alignment with the Group's strategic plans, synergies, market position and strengths, management team capability, valuation, track record, financial performance and potential growth. The Group will gradually improve its financial performance by expanding its business direction and creating a new profit model, so as to provide a firm basis for future growth expansion.

RESIGNATION AND APPOINTMENT OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

- Mr. Wang Hongyuan resigned as the chairman of the Board and CEO of the Company with effect from 19 February 2020.

- Mr. Lou Dongyang was appointed as the chairman of the Board with effect from 19 February 2020.

- Mr. Cong Yongjian was appointed as the CEO of the Company with effect from 19 February 2020.

RESIGNATION AND APPOINTMENT OF EXECUTIVE DIRECTORS

- Mr. Wang Hongyuan resigned as an executive Director of the Company due to other commitments with effect from 19 February 2020.

- Mr. Cong Yongjian was appointed as an executive Director of the Company with effect from 19 February 2020.

CHANGE OF BOARD COMMITTEES MEMBERS

- On 19 February 2020, Mr. Wang Hongyuan resigned as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

- On 19 February 2020, Mr. Lou Dongyang was appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

SHARE AWARD PLAN

The Company adopted a share award plan ("**Share Award Plan 1**") on 16 January 2015 (the "**Adoption Date**"). The Share Award Plan 1 does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is at discretion of the Company. The purpose of the Share Award Plan 1 is to recognise the contributions of officers and employees of the Group (the "**Eligible Persons**"), excluding any Directors and any other connected persons of the Group, towards the development of the Group in the past or as incentives to selected grantees to achieve higher than target profits for the Group and to align the interests of the selected grantees with sustainable growth and development of the Group.

The total number of Shares purchased under the Share Award Plan 1 shall not exceed 3% of the issued Shares (i.e. 21,147,456 Shares) at the Adoption Date. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee. Pursuant to the Share Award Plan 1, the trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan 1 will be held on trust for the Eligible Persons until such Shares are vested in accordance with the provisions of the rules relating to the Share Award Plan 1. The Share Award Plan 1 will be effective for a period until 15 January 2025 unless terminated at the discretion of the Board at an earlier date.

As at 30 June 2020, there are 21,147,456 shares (representing 0.69% of the issued share capital of the Company) held by the trustee. No grant was made for the six months ended 30 June 2020 under the Share Award Plan 1.

The Company adopted a new share award plan ("**Share Award Plan 2**") on 31 October 2019 (the "**Adoption Date 2**"). The Share Award Plan 2 does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is at discretion of the Company. The purpose of the Share Award Plan 2 is to recognise and reward the contributions of Directors, senior management and any other connected persons or consultants of the Group (the "**Eligible Persons**") towards the development and growth of the Group.

The total number of Shares purchased under the Share Award Plan 2 shall not exceed 3% of the issued Shares (i.e. 92,071,174 Shares) at the Adoption Date 2. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee. Pursuant to the Share Award Plan 2, the trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan 2 will be held on trust for the Eligible Persons until such Shares are vested in accordance with the provisions of the rules relating to the Share Award Plan 2. The Share Award Plan 2 will be effective for a period until 30 October 2029 unless terminated at the discretion of the Board at an earlier date.

During the six months ended 30 June 2020, the trustee purchased 23,400,000 Shares (representing 0.8% of the issued share capital of the Company) on the Stock Exchange pursuant to the Share Award Plan 2 at a total consideration of approximately HK$5,534,187 and no grant was made. As at 30 June 2020, there are 39,252,544 shares held by the trustee.

SHARE AWARD INCENTIVE SCHEME

The Company adopted a share award incentive scheme ("**Share Award Incentive Scheme**") on 27 May 2016 (the"**Adoption Date of Share Award Incentive Scheme**"). The purposes of the Share Award Incentive Scheme are (i) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group. The Share Award Incentive Scheme is a separate scheme from the Share Award Plan 1 and Share Award Plan 2, which is specifically for granting Share awards sourced from existing Shares purchased from the stock market. The Share Award Incentive Scheme will give the Company flexibility in granting Awards of new Shares. The Share Award Incentive Scheme will be effective for a period until 26 May 2026 unless terminated at the discretion of the Board at an earlier date.

The Company has approved the adoption of the Share Award Incentive Scheme on 27 May 2016 by the shareholders by poll at the AGM, pursuant to which new Shares of not more than 3% of the total number of issued Shares as at the Adoption Date of Share Award Incentive Scheme (i.e. 21,213,606 new Shares) will be allotted and issued to the Trustee by the Company, and will be held on trust by the Trustee for the Selected Participants before vesting. For details, please refer to the Company's announcement dated 7 April 2016 and the Company's circular dated 8 April 2016.

No grant was made for the six months ended 30 June 2020. As at 30 June 2020, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 0.69% of the issued share capital of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

Long positions in ordinary Shares and underlying Shares of the Company:

Name of Directors	Number of issued ordinary Shares of HK$0.10 each in the Company Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's issued share capital *(Note 1)*
Mr. Zhang Menggui, Morgan	64,679,100	–	–	–	64,679,100	2.11%
Mr. Jiang Bing Hua	25,665,240	–	–	–	25,665,240	0.84%
Mr. Chan Ngai Sang, Kenny	500,000	–	–	–	500,000	0.02%

Note:

1. The percentage is calculated on the basis of 3,069,039,117 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the Company's issued share capital
China Great Wall AMC (International) Holdings Company Limited *(Note 1)*	Corporate	1,530,372,000	49.86
China Great Wall Asset Management Co., Ltd. *(Note 1)*	Corporate	1,530,372,000	49.86
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) *(Note 1)*	Corporate	1,530,372,000	49.86
China Merchants Great-Wall GP Limited *(Note 1)*	Corporate	1,530,372,000	49.86
Great Wall International Investment V Limited *(Note 1)*	Corporate	1,530,372,000	49.86
Prime Force Investment Corporation *(Note 1)*	Beneficial Owner	1,530,372,000	49.86
China Merchants Group Limited *(Note 1)*	Corporate	1,530,372,000	49.86
Minyun Limited	Beneficial Owner	284,751,000	9.28
China International Marine Containers (Group) Co., Ltd. *(Note 2)*	Corporate	185,600,000	6.05
China International Marine Containers (Hong Kong) Ltd. *(Note 2)*	Beneficial Owner	185,600,000	6.05

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 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.

   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**").

   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. Great Wall International Investment V Limited is a wholly owned subsidiary of GWAMC International, and GWAMC International is a wholly owned subsidiary of GW Asset Management. Therefore, GW Asset Management is interested in the 1,530,372,000 Shares.

   China Great Bay Area Fund Management Company Limited holds 30% 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 Union (BVI) Limited holds approximately 9.996% of the limited partnership interests in Fund LP and 15% of the equity interest in Fund GP, and its 50% of equity interest is held by China Merchants Holdings (Hong Kong) Company Ltd. which is wholly owned by China Merchants Steam Navigation Company Limited. 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 Steam Navigation Company Limited which is a wholly owned subsidiary of China Merchants Group Limited* (招商局集團有限公司) ("**CM Group**"). Therefore, China Merchants Steam Navigation Company Limited and 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.

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.

(ii) Long positions in Shares of subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
Jurun Limited	Xingbo Limited	21%
CMIC Manufacturing and Supply De Colombia S.A.S	Independence Drilling S.A.	40%
ATS Energy LLC	Axion Services Inc.	33%
	Petromax Industry Inc.	16%
Texas Unconventional Resources LLC	Mr. YANG Anping	20%
OIM Pte. Ltd.	Offshore CC FZE	5%

Save as disclosed above, as at 30 June 2020, no persons (other than the Directors and Chief Executives of the Company whose interests are set out under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above), had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the six months period ended 30 June 2020.

AUDIT COMMITTEE

The Company established an audit committee on 20 October 2005 with terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group.

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Zou Zhendong and Mr. Chen Weidong. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited financial results of the Group for the six months ended 30 June 2020 and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. There is no disagreement by the audit committee with the accounting treatment adopted by the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent companies was a party or were parties and in which a Director or his/her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards of dealings as set out in the Model Code as set forth in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standards of dealings as set out in the Model Code by the Directors during the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices to ensure transparency so that the interests of our shareholders and the cooperative development among customers, employees and the Group can be safeguarded. The Company has adopted the Corporate Governance Code of the Stock Exchange.

During the period, the Company has complied with the code provisions of the Corporate Governance Code during the six months period from 1 January 2020 to 30 June 2020 as set out in Appendix 14 to Listing Rules at that time except for the following deviations explained as below:

Code A.2.1

The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the period from 1 January 2020 to 18 February 2020, Mr. Wang Hongyuan took up the posts of executive chairman and chief executive officer of the Company. This deviated from code provision A.2.1 of the CG Code which stipulated that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Wang has extensive experience in strategic planning, mergers and acquisitions, capital operations and investments in sectors such as offshore marine and shipping, port and bonded logistics. Mr. Wang has high standing within the Group together with his extensive experience in the offshore industry. Mr. Wang is well versed with the business models and development of the Group and the development of the gas and oil industry. The Board, after due and careful consideration, was of the view that Mr. Wang was the single most suitable person for the positions of the executive chairman and chief executive officer of the Group. After the resignation of Mr. Wang and the appointment of Mr. Lou Dongyang as the chairman of the Board with effect from 19 February 2020, the Company has complied with the code provision A.2.1.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the share award plan, pursuant to the terms of the rules and trust deed of the Share Award Plan 2, purchased on the Stock Exchange a total number of 23,400,000 shares of the Company at a total consideration of about HK$5,534,187.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.cmicholding.com) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express sincere thanks to all the shareholders for their continuous support and to all staff for their dedication and contribution to the Group during the reporting period.

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

Hong Kong, 28 August 2020

As of the date of this announcement, the Board comprises 3 executive Directors, namely Mr. Cong Yongjian, Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; 4 non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui and Mr. Qian Zewei; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.