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 Cayman Islands with limited liability)
(Stock Code: 206)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

RESULTS HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2019 reached approximately US$32.4 million, representing an increase of approximately 9.6% from US$29.6 million for the same period in 2018;
- Gross profit amounted to approximately US$9.9 million for the six months ended 30 June 2019, representing an increase of approximately 51.3% from US$6.5 million for the same period in 2018;
- Net profit attributed to equity shareholders of the Company amounted to approximately US$7.5 million for the six months ended 30 June 2019, while the net loss attributed to equity shareholders of the Company amounted to approximately US$6.8 million for the same period in 2018;
- Earnings per share for the six months ended 30 June 2019 was US0.28 cent, while the loss per share for the same period in 2018 was US0.53 cent;
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

	Notes	For the six months ended 30 June **2019** *US$'000*	2018 *US$'000*
Revenue	*3, 4*	**32,386**	29,556
Cost of sales		**(22,501)**	(23,023)
Gross profit		**9,885**	6,533
Other revenue and net income	*5*	**3,753**	477
Selling and distribution expenses		**(2,500)**	(2,536)
General and administrative expenses		**(9,581)**	(9,590)
Other operating expenses		**(515)**	(506)
Profit/(loss) from operations		**1,042**	(5,622)
Finance costs	*6 (a)*	**(556)**	(1,367)
Share of profits of associates		**4**	–
Share of profits of a joint venture		**7,197**	–
Profit/(loss) before taxation	*6*	**7,687**	(6,989)
Income tax	*7*	**(168)**	4
Profit/(loss) for the period		**7,519**	(6,985)
Attributable to:			
Equity shareholders of the Company		**7,545**	(6,849)
Non-controlling interests		**(26)**	(136)
Profit/(loss) for the period		**7,519**	(6,985)
Earnings/(loss) per share			
Basic and diluted	*9*	**US$0.28 cents**	(US$0.53 cents)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

	For the six months ended 30 June	
	2019	2018
		(Note)
	US$'000	*US$'000*
Profit/(loss) for the period	**7,519**	(6,985)
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries and associates (with nil tax effect)	**(202)**	(511)
Total comprehensive income for the period	**7,317**	(7,496)
Attributable to:		
Equity shareholders of the Company	**7,734**	(7,112)
Non-controlling interests	**(417)**	(384)
Total comprehensive income for the period	**7,317**	(7,496)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

	Notes	**As at 30 June 2019** *US$'000*	As at 31 December 2018 *(Note)* *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**39,085**	40,620
Investment properties		**3,462**	3,503
Interests in leasehold land held for own use under operating leases		**4,024**	4,030
Intangible assets		**263**	382
Interest in associates		**280**	274
Interest in a joint venture		**44,197**	–
Other financial assets		**949**	1,002
Prepayment		**145**	485
Right-of-use assets		**4,764**	–
Lease receivables		**3,389**	–
Deferred tax assets		**2,474**	2,478
		103,032	52,774
CURRENT ASSETS			
Inventories		**149,962**	145,944
Trade and other receivables	*11*	**58,117**	56,276
Contract assets		**835**	2,012
Lease receivables		**1,223**	–
Amount due from a related company		**101**	101
Tax recoverable		**125**	132
Pledged bank deposits		**941**	802
Cash and cash equivalents		**51,119**	19,805
		262,423	225,072
Non-current assets classified as held for sale		**2,919**	2,936
		265,342	228,008

	Notes	As at 30 June 2019 US$'000	As at 31 December 2018 (Note) US$'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**191,578**	201,316
Contract liabilities		**31,780**	29,444
Bank loans and other borrowings		**11,065**	10,277
Lease liabilities		**1,164**	18
Tax payable		**4,397**	4,128
		239,984	245,183
NET CURRENT ASSETS/(LIABILITIES)		**25,358**	(17,175)
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,390**	35,599
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**5,677**	7,092
Lease liabilities		**3,641**	63
Deferred tax liabilities		**7**	46
		9,325	7,201
NET ASSETS		**119,065**	28,398
CAPITAL AND RESERVES			
Share capital	*13*	**37,622**	18,854
Reserves		**82,115**	9,799
Total equity attributable to equity shareholders of the Company		**119,737**	28,653
Non-controlling interests		**(672)**	(255)
TOTAL EQUITY		**119,065**	28,398

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2019

	Attributable to equity shareholders of the Company													
	Share capital	Share premium	Merger reserve	Exchange reserve	Employee share-based compensation reserve	Share held for share award plan	Capital reserve	Revaluation reserve	Reserve funds	Fair value reserve (non-recycling)	Accumulated losses	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2018	9,094	127,805	2,161	(13,317)	3,775	(1,285)	5,482	627	8,295	–	(129,148)	13,489	178	13,667
Impact on initial application of HKFRS 15	–	–	–	–	–	–	–	–	–	–	(2,585)	(2,585)	–	(2,585)
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	–	–	(3,207)	999	(2,208)	–	(2,208)
Adjusted balance at 1 January 2018	9,094	127,805	2,161	(13,317)	3,775	(1,285)	5,482	627	8,295	(3,207)	(130,734)	8,696	178	8,874
Changes in equity for the six months ended 30 June 2018:														
Loss for the period	–	–	–	–	–	–	–	–	–	–	(6,849)	(6,849)	(136)	(6,985)
Other comprehensive income	–	–	–	(263)	–	–	–	–	–	–	–	(263)	(248)	(511)
Total comprehensive income	–	–	–	(263)	–	–	–	–	–	–	(6,849)	(7,112)	(384)	(7,496)
Issue of new shares	9,760	55,566	–	–	–	–	–	–	–	–	–	65,326	–	65,326
Equity-settled share-based transactions	–	–	–	–	(3,775)	–	–	–	–	–	–	(3,775)	–	(3,775)
Balance at 30 June 2018 (unaudited)	18,854	183,371	2,161	(13,580)	–	(1,285)	5,482	627	8,295	(3,207)	(137,583)	63,135	(206)	62,929
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**
Purchase of shares for share award scheme	**-**	**-**	**-**	**-**	**-**	**(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**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Operating activities		
Cash used in operations	**(13,921)**	(10,463)
Income tax and overseas tax paid	**(167)**	(766)
Net cash used in operating activities	**(14,088)**	(11,229)
Investing activities		
Payment for the purchase of property, plant and equipment	**(335)**	–
Proceeds from sales of property, plant and equipment	**–**	5,747
Payment for subscription of shares in a joint venture	**(37,000)**	–
Interest received	**922**	73
Increase in pledged bank deposits	**(139)**	(1,038)
Net cash (used in)/generated from investing activities	**(36,552)**	4,782
Financing activities		
Proceeds from issue of new shares	**83,350**	65,326
Proceeds from a bank loan	**1,475**	–
Repayment of bank loans and other borrowings and lease rental paid	**(2,294)**	(38,808)
Interest paid	**(556)**	(913)
Net cash generated from financing activities	**81,975**	25,605
Net increase in cash and cash equivalents	**31,335**	19,158
Cash and cash equivalents at 1 January	**19,805**	15,287
Effect of foreign exchanges rates change	**(21)**	78
Cash and cash equivalents at 30 June	**51,119**	34,523

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using unaudited retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE FINANCIAL STATEMENTS

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 2019 have not been audited 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 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out below.

(a) Overview of change in accounting policies

The HKICPA has issued a new Hong Kong Financial Reporting Standard (“HKFRS”) 16 and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at cost less accumulated depreciation and impairment losses.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery and properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payment was 5.02%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 31(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *US$'000*
Operating lease commitments at 31 December 2018	3,974
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(41)
– leases of low-value assets	(4)
Add: lease payments for the additional periods where the group considers it reasonably certain that it will exercise the extension options	1,702
	5,631
Less: total future interest expenses	(736)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	4,895
Add: finance lease liabilities recognised as at 31 December 2018	81
Total lease liabilities recognised at 1 January 2019	4,976

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

As a result of the adoption of HKFRS 16, the Group has made adjustments to opening balances at 1 January 2019 which increased right-of-use assets and lease liabilities by US$4,895,000.

(d) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	US$'000	***US$'000***	*US$'000*	*US$'000*
Within 1 year	**1,164**	**1,295**	1,080	1,309
After 1 year but within 2 years	**1,584**	**1,722**	1,411	1,758
After 2 years but within 5 years	**2,056**	**2,368**	2,485	2,789
	3,640	**4,090**	3,896	4,547
	4,804	**5,385**	4,976	5,856
Less: total future interest expenses		**(581)**		(880)
Present value of lease liabilities		**4,804**		4,976

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement.

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 engineering services.

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

	Unaudited	
	For the six months ended	
	30 June 2019	30 June 2018
	US$'000	*US$'000*
Capital equipment and packages		
– Sales of capital equipment	**13,510**	11,662
Oilfield expendables and supplies		
– Sales of expendables and supplies	**15,054**	15,564
Engineering services		
– Service fee income	**3,822**	2,330
	32,386	29,556

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 presented 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
- Engineering services: the provision of 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, right-of-use assets, non-current lease receivables and current assets with the exception of interest in associates and a joint venture, deferred tax assets, other financial assets, cash and cash equivalents, pledged bank deposits, tax recoverable and other unallocated head office and corporate assets. Segment liabilities include trade and other payables and lease liabilities attributable to the activities of the individual segment, with the exception of bank loans and other borrowings, tax payable, deferred tax liabilities 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/(loss) 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 share of results of associates and a joint venture, if any, finance costs and items not specifically attributed to individual segment, such as 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. 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		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 2019	30 June 2018 *(Note)*	**30 June 2019**	30 June 2018 *(Note)*	**30 June 2019**	30 June 2018 *(Note)*	**30 June 2019**	30 June 2018 *(Note)*
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**13,510**	11,662	**15,054**	15,564	**3,822**	2,330	**32,386**	29,556
Inter-segment revenue	**775**	1,367	**6,292**	9,516	**501**	470	**7,568**	11,353
Reportable segment revenue	**14,285**	13,029	**21,346**	25,080	**4,323**	2,800	**39,954**	40,909
Reportable segment results	**139**	2,256	**1,087**	(5,916)	**823**	(1,240)	**2,049**	(4,900)

The segment assets and liabilities as at 30 June 2019 and 31 December 2018 is set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	As at 30 June 2019 (unaudited)	As at 31 December 2018 *(Note)*	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 *(Note)*	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 (audited) *(Note)*	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 *(Note)*
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Reportable segment assets	**205,655**	187,674	**57,704**	60,727	**4,100**	5,799	**267,459**	254,200
Reportable segment liabilities	**(200,975)**	(196,826)	**(21,375)**	(30,352)	**(4,629)**	(1,125)	**(226,979)**	(228,303)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

	Unaudited For the six months ended 30 June 2019 *US$'000*	2018 *US$'000*
Revenue		
Reportable segment revenue	**39,954**	40,909
Elimination of inter-segment revenue	**(7,568)**	(11,353)
Consolidated revenue	**32,386**	29,556
Profit/(loss)		
Segment results	**2,049**	(4,900)
Finance costs	**(556)**	(1,367)
Share of profits of associates	**4**	–
Share of profits of a joint venture	**7,197**	–
Unallocated head office and corporate income and expenses	**(1,007)**	(722)
Consolidated profit/(loss) before taxation	**7,687**	(6,989)

	As at 30 June 2019 (unaudited) *US$'000*	As at 31 December 2018 *US$'000*
Assets		
Reportable segment assets	**267,459**	254,200
Interest in associates	**280**	274
Interest in a joint venture	**44,197**	–
Deferred tax assets	**2,474**	2,478
Other financial assets	**949**	1,002
Tax recoverable	**125**	132
Pledged bank deposits	**941**	802
Cash and cash equivalents	**51,119**	19,805
Unallocated head office and corporate assets	**830**	2,089
Condensed consolidated total assets	**368,374**	280,782
Liabilities		
Reportable segment liabilities	**(226,979)**	(228,303)
Bank loans and other borrowings	**(16,742)**	(17,369)
Tax payable	**(4,397)**	(4,128)
Deferred tax liabilities	**(7)**	(46)
Unallocated head office and corporate liabilities	**(1,184)**	(2,538)
Consolidated total liabilities	**(249,309)**	(252,384)

(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, interest in leasehold land held for own use under operating lease, intangible assets, interest in associates and a joint venture, other financial assets, right-of-use assets, non-current portion of prepayments and non-current portion of lease receivables ("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 interest in leasehold land held for own use under operating leases, 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 prepayments and non-current portion of lease receivables.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)	**As at 30 June 2019 (unaudited)**	As at 31 December 2018
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**–**	–	**2,569**	1,148
Mainland China	**16,455**	12,411	**48,055**	45,299
North America	**10,017**	12,379	**3,632**	3,590
South America	**2,941**	1,133	**24**	32
Europe	**2,610**	3,018	**2,066**	200
Singapore	**361**	–	**44,197**	12
Others	**2**	615	**15**	15
	32,386	29,556	**100,558**	50,296

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended	
	30 June 2019	30 June 2018
	US$'000	*US$'000*
Interest income	**922**	73
Government subsidies	**25**	47
Reversal of impairment losses on trade receivables and contract assets	**2,546**	–
Others	**260**	357
	3,753	477

6. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Unaudited For the six months ended	
	30 June 2019	30 June 2018
	US$'000	*US$'000*
Interest on bank loans, other borrowings and lease liabilities	**556**	1,367

(b) Other items

	Unaudited For the six months ended	
	30 June 2019	30 June 2018 *(Note)*
	US$'000	*US$'000*
Amortisation of interest in leasehold land held for own use under operating lease and intangible assets	**496**	1,064
Depreciation	**1,960**	2,043
Reversal of impairment losses on trade receivables and contract assets	**(2,546)**	–
Net foreign exchange (gain)/loss	**(688)**	86
Gain on disposal of property, plant and equipment	**(19)**	–
Auditors' remuneration	**265**	249

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

7. INCOME TAX

	Unaudited For the six months ended	
	30 June 2019	30 June 2018
	US$'000	*US$'000*
Current tax		
Provision for the period		
– The People's Republic of China ("PRC") enterprise income tax	**(8)**	(50)
– Overseas corporate income tax	**(220)**	(50)
	(228)	(100)
Deferred tax		
Origination of temporary differences	**60**	104
	(168)	4

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable income subject to Hong Kong Profits Tax. 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 reduced rates of 15% under the relevant PRC tax rules and regulations.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings per share for the six months ended 30 June 2019 are based on the profit attributable to ordinary equity shareholders of the Company of approximately US$7,545,000 (six months ended 30 June 2018: loss attributable to ordinary equity shareholders of the Company of approximately US$6,849,000) and the weighted average number of 2,664,492,000 (six months ended 30 June 2018: 1,302,829,000) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share equals to basic profit/(loss) per share for the six months ended 30 June 2019 and 2018 because the potential ordinary shares outstanding were anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to approximately US$68,000 (six months ended 30 June 2018: US$335,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 *US$'000* **(unaudited)**	As at 31 December 2018 *US$'000*
Trade debtors and bills receivables	**108,078**	107,099
Less: loss allowances	**(63,567)**	(65,795)
	44,511	41,304
Other receivables, prepayments and deposits	**13,606**	14,972
	58,117	56,276

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 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.

Trade debtors and bills receivables (net of loss allowance) with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2019 *US$'000* **(unaudited)**	As at 31 December 2018 *US$'000*
Current	**16,191**	12,779
Less than 1 month past due	**4,357**	2,313
1 to 3 months past due	**3,794**	4,704
More than 3 months but within 12 months past due	**12,329**	5,100
More than 12 months past due	**7,840**	16,408
Amounts past due	**28,320**	28,525
	44,511	41,304

12. TRADE AND OTHER PAYABLES

	As at 30 June 2019 US$'000 (unaudited)	As at 31 December 2018 US$'000
Trade creditors and bills payables	**181,471**	188,833
Other payables and accrued charges	**10,107**	12,483
	191,578	201,316

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

	As at 30 June 2019 US$'000 (unaudited)	As at 31 December 2018 US$'000
Within 1 month	**160,210**	163,591
More than 1 month but within 3 months	**2,925**	3,900
More than 3 months but within 12 months	**2,803**	5,194
More than 12 months but within 24 months	**993**	3,308
More than 24 months	**14,540**	12,840
	181,471	188,833

13. SHARE CAPITAL

In February 2019, the Group allotted 1,473,156,204 shares at a price of HK$0.45 each, in connection with the rights issue on basis of one rights share for every one existing share held on the record date with the gross proceeds amounting to approximately HK$662,920,000.

14. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following related party transactions with subsidiaries of a substantial shareholder of the Group.

Transactions with related companies

	Unaudited	
	For the six months ended	
	30 June 2019	30 June 2018
	US$'000	*US$'000*
Sales of capital equipment and packages	**–**	785

In the opinion of the Company's directors, the above transactions were carried out on normal commercial terms and in the ordinary course of business.

15. 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 2019, no shares were granted under the share award plan.

16. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

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 investments and operations management of offshore platforms and an integrated value chain supplier of offshore and onshore energy technology, products and services, and clean energy and technology investments.

Together with our substantial shareholder, China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) (the "Fund"), we provide integrated financing and asset solutions to global clients. In a business update announced on 4 March 2019, our affiliated joint venture, Wealthy Marvel Enterprises Limited (the "JV" or "WME") (owned as to 50% by Alliance Offshore Group Limited ("AOG", a wholly-owned subsidiary of the Company) and 50% by the Fund) entered into agreements with Shelf Drilling ("SHLF"), the world's largest operator of jack-up rigs by number of active shallow water rigs of Clarksons's Statistics as at 31 December 2018, for four units of jack-up rigs and subscription of shares in SHLF. Of the four rig units, two units were sold and another two units were chartered on bareboat basis to SHLF. We deliver efficient and high-quality integrated solutions to enhance the intrinsic value of our assets as well as to create value for our customers. Our principal objective is to position the Company at the front of cyclical opportunities as a means of completing a strategic business transformation from offshore core equipment manufacturing to offshore rig asset investments, operations and management.

The Company has already developed and accumulated a comprehensive scope of engineering capabilities which includes the design, manufacture, installation and commissioning of onshore and offshore drilling rig equipment and general packages. Specific equipment products include cranes, machine rack pipes, jacking systems, power control and transmission systems, tension adjustment and compensation devices and systems, etc. Rigs maintenance, repair and operation (MRO) products and services include 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 segment 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.

INDUSTRIAL REVIEW

1. Change in the development of crude oil market: capital expenditure from offshore oil had a significant increase

Since the global oil prices have dropped from the higher level of around US$110 per barrel (Brent crude oil) in 2014 to about US$30/barrel in 2016, the oil prices recovered unevenly and teetered between US$60 and US$80. Due to the low oil prices in recent years, the trend of rebound was not obvious, such that oil companies have reduced their investment and reduced the exploration and development of oil fields. As a result, the global offshore engineering and offshore rigs industry has entered into a difficult period, and companies under the industrial chain are under considerable pressure. The supply in the offshore rigs market was greater than demand, and the price of platform asset has also approached the lowest point in the last decade. Due to the merger and integration in the industry, the cases for asset acquisitions have gradually increased. Meanwhile, due to the limited exploration and development activities undertaken over the years, it is difficult to meet the daily energy consumption in the future. The annual increase in offshore oil reserves has gradually decreased from 80 billion barrels in 2008 to 3.9 billion barrels in 2018, reaching a new low point over the last 20 years. In order to meet the demand for oil consumption, it is urgent to increase the supply of offshore oil; offshore drilling work has already taken place while related capital expenditures have already made in advance. At present, the growth in capital expenditures on offshore oil has become obvious: from 2016 to 2018, the global offshore oil projects which obtained Final Investment Decision (FID) had rapidly increased from 44 to 86. According to industry forecast analysis by Rystad Energy, capital expenditure on global offshore oil will gradually increase from US$150 billion in 2018 to around US$280 billion in 2025.

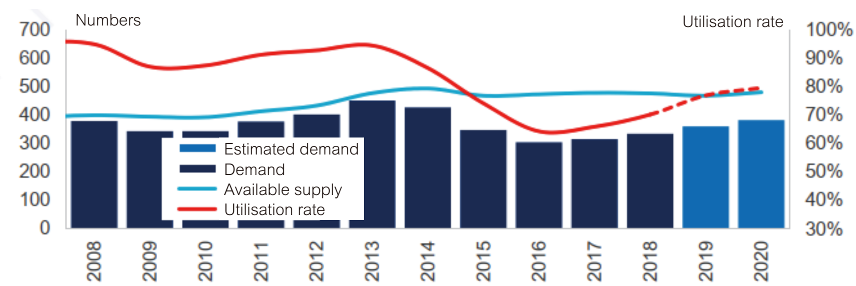
2. Offshore market is at a cycle turning point

The offshore industry and offshore drilling rig industry are sub-fields of the global oil and gas industry. Affected by the global economic and oil market conditions, from the perspective of supply and demand of offshore assets, offshore drilling rigs are still oversupply. In the short term, construction orders for new rigs remain stagnant. Delays and ship owners' defaults have occurred frequently, resulting in some domestic shipbuilding companies being insolvent and on the verge of bankruptcy.

3. Market supply and demand

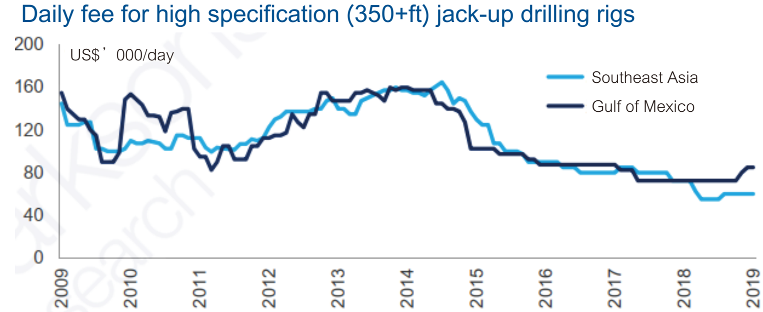
In respect of the utilisation rate of drilling rigs, according to the statistics of Clarksons, an analysis institution, for the first half of 2019, the demand for jack-up drilling rigs was 341 with the utilisation rate of 71%. It is expected that the demand for jack-up drilling rigs at the end of 2019 will be 361 with the utilisation rate of 76%. The demand side showed signs of gradual recovery.

The global supply and demand for jack-up drilling rigs

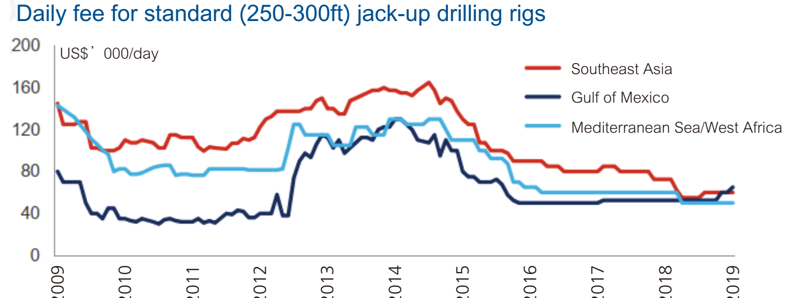


In terms of the lease of the drilling rigs, the current market rate of drilling rigs is still under great pressure. At the end of 2018, the average wet lease daily fee for global mobile drilling rigs decreased by 8% to US$105,200 per day on year-on-year basis. The average daily fee for jack-up drilling rigs decreased by 4%. The average wet lease daily fee for the standard jack-up rigs was US$52,500 per day at the end of 2018, decreased by 2% on year-on-year basis, while it decreased by 61% compared with that at the beginning of 2014. Although the average wet lease daily fee for high specification jack-up drilling rigs has gradually increased since April 2018 and reached US$100,300 per day at the end of 2018, in fact, it still decreased by 3% compared with that at the end of 2017.

Daily fee for high specification (350+ft) jack-up drilling rigs



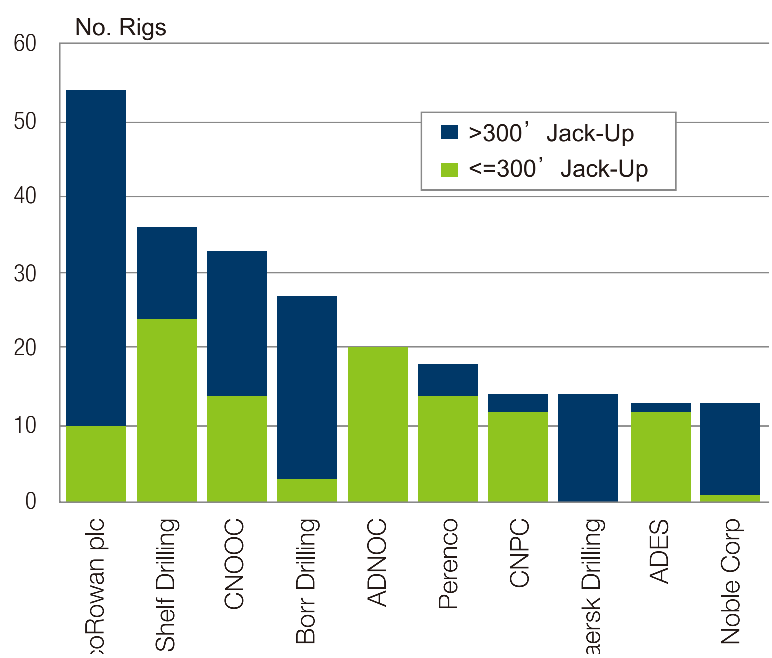
Daily fee for standard (250-300ft) jack-up drilling rigs



4. Rig operators

The downturn in the market has also triggered the interests of large ship owners in merger and acquisition. Since 2017, there emerged a trend of integration in offshore drilling rig market. From acquisition and integration between Ensco and Rowan, merger between Transocean and Songa, asset restructuring between EMAS and Ezoin, etc., including CMIC and the Fund became the strategic shareholders of Shelf Drilling in May 2019 through capital increase in Shelf Drilling by joint venture, to today's merger between CSSC and CSIC and integration of offshore business between CM Group and CIMC Group, equity investment, merger and acquisition, and merger and reorganisation have become an effective way for companies to seek sustainable development under the environment of global economic turmoil, slack demand for shipping and overcapacity in shipbuilding. This will not only attract more owners of drilling rigs to reconsider their strategies, but also drive industry consolidation to become more active.

As of the first half of 2019, in terms of the number of rigs, due to the merger between Rowan and Ensco, the number of Rowan's jack-up rigs increased rapidly from 34 at the beginning of the year to 54, ranking first in terms of quantity and tonnage; Shelf Drilling ranked second with 38 jack-up rigs ; CNOOC ranked third with 33 jack-up rigs; Borr Drilling ranked fourth with 27 jack-up rigs at present, but there are still seven rigs to join in the fleet in 2019 and 2020, so it is expected to catch up with CNOOC. The competition between rig operators is still fierce.



Above all, under the current environment, rigs remain over-supplied, and shipyards still have a large number of orders that cannot be delivered. However, some positive signals have emerged, such as the gradual increase in overall utilisation rate of the drilling rigs with high dismantling volume, the increase in the number of leases, and the improvement of daily fee in some areas.

At the bottom of the cycle in offshore market, the decline in the value of rigs assets and the underestimation of corporate value are strategic nodes for obtaining high-quality resources. During the current period in which capital expenditure on global offshore oil increases and the utilisation rate of offshore drilling rigs recovers, if strategic layout for industry and asset integration can be carried out in advance, the Company will realize excess profits after the gradual recovery of the industry.

BUSINESS REVIEW

The first half of 2019 carries significant meaning to the strategic transformation of CMIC, mainly represented by the following:

Firstly, on 31 January 2019, the Company completed its rights issue and successfully raised approximately HK$660 million, which laid a solid foundation for the Company's layout of new businesses and further strategic transformation as well as its seeking for long term development.

Secondly, in March 2019, through WME, its joint venture, CMIC leased two high specification jack-up CJ46 drilling rigs (namely "SMS MARIAM" and "SMS FAITH") to SMS. Currently, those two drilling rigs has commenced to provide offshore drilling services to Abu Dhabi National Oil Company ("ADNOC"), marking the substantive breakthrough of offshore management business.

Thirdly, on 21 February 2019, through WME, its joint venture, CMIC and the offshore fund signed agreements with Shelf Drilling with respect to four high specification jack-up CJ46 drilling rigs, of which two were for selling and two were for leasing. Moreover, WME and the offshore fund jointly increased their capital investment into Shelf Drilling, to be its strategic shareholders. The delivery of the former two was completed in June, and the latter two are expected to be delivered by the end the year. The deep collaboration with Shelf Drilling, a world top drilling operation company, is a strategic measure for the Company to extend its layout of operating platform assets, so as to realize a win-win situation among all parties.

Fourthly, in early May in 2019, CMIC and its Mexican partner which is a bidder consortium won the contract for the third round of offshore integrated drilling services granted by PEMEX, for which CMIC would provide 2 to 3 jack-up drilling rigs. Mexican offshore drilling market is one of the hottest offshore oil service markets in the world. The success of entering into that market represents the recognition of the Company's offshore asset management business by international mainstream markets once again, which also benefits the expansion of the Company's original offshore equipment and service into that market.

Fifthly, currently, the Company is actively exploring finance cooperation with state-level industrial funds, leasing companies and so on, aiming to make leverage play its role, speed up the flowing back of cash, increase cash reserve, to seize the valuable opportunity of cyclical recovery and realize countercyclical strategic layout.

Sixthly, to complete the reorganization of business segments: ① creating cross-border financing platforms and establishing "CMIC Industry Investment Holding (Shenzhen) Co., Ltd (華商國際產業投資控股(深圳)有限公司)" as an investment and development platform for CMIC in China, to lay a foundation for subsequent utilization of the funds in RMB to acquire, operate and lease offshore assets in China; ② consolidating our existing institutes, domestic entities in Qingdao, Zhengzhou, Xi'an and Beijing, to create a brand new TSC in China; ③ consolidating our entities overseas, to set up international segments for TSC; ④ expanding our offshore asset management platform in Singapore, to realize synergistic effects between offshore assets management and equipment manufacturing, the integration and extension of the whole industry chain.

Seventhly, for the first half of 2019, the net profit attributable to equity shareholders of the Company amounted to US$7.5 million, and its revenue from sales amounted to US$32.4 million, representing an annualized increase of 9.6%. The costs of sale amounted to US$22.5 million, representing an annualized decrease of 2.3%. The first half of the year generally saw a turnaround.

FINANCIAL REVIEW

	30 June 2019 (unaudited)	30 June 2018 (unaudited)	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**32,386**	29,556	2,830	9.6
Gross profit	**9,885**	6,533	3,352	51.3
Gross profit margin	**30.5%**	22.1%		
Profit/(loss) from operations	**1,042**	(5,622)	6,664	118.5
Profit/(loss) for the period	**7,519**	(6,985)	14,504	207.6
Earnings/(loss) per share				
Basic and diluted	**US0.28 cent**	(US0.53 cent)		

Revenue for the first six months of 2019 increased by 9.6% to US$32.4 million from US$29.6 million in 2018. The net profit for the first six months of 2019 was US$7.5 million, while the net loss for the same period in 2018 was US$7.0 million. The increment of such revenue was mainly due to the increase in orders as a result of significant increase in upstream capital expenditure from land drilling rigs in China.

Segment Information by Business Segments

	30 June 2019 (unaudited)		30 June 2018 (unaudited)		Increase/(Decrease)	
	US$'000	***% of total***	*US$'000*	*% of total*	*US$'000*	*%*
Revenue						
Capital Equipment and Packages	**13,510**	**41.7%**	11,662	39.5	1,848	15.8
Oilfield Expendables and Supplies	**15,054**	**46.5%**	15,564	52.7	(510)	(3.3)
Engineering Services	**3,822**	**11.8%**	2,330	7.8	1,492	64.0
Total	**32,386**	**100%**	29,556	100.0%	2,830	9.6

Capital Equipment and Packages

Revenue recognized on Capital Equipment and Packages projects increased by 15.8% in the first half year of 2019 compared to the same period in 2018. It increased from US$11.7 million in the first half year of 2018 to US$13.5 million in the first half year of 2019. The increase resulted from the increase in orders attributable to the market recovery of land drilling rigs in China.

Oilfield Expendables and Supplies (MRO Supplies)

Revenue of Oilfield Expendables and Supplies segment slightly decreased by 3.3% from US$15.6 million in the first half year of 2018 to US$15.1 million in the same period in 2019. The supply of expendables and supplies in the drilling market in North America faced fierce competition, which resulted in the decrease in orders.

Engineering Services

The revenue from Engineering Services segment was stable in the first half of 2019 and amounted to US$3.8 million compared with the revenue amounted to US$2.3 million for the same period in 2018.

Gross Profit and Gross Profit Margins

The Gross Profit in the first half year of 2019 increased by 51.3% from US$6.5 million in the first half year of 2018 to US$9.9 million in the same period in 2019. Gross Profit Margin increased from 22.1% in the first year of 2018 to 30.5% in the same period in 2019. The increase was driven by high profit margin projects in Oilfield Expendables and Supplies segment in North America and China.

Other Revenue and Net Income

The increase in other revenue and net income from US$0.5 million in the first half of 2018 to US$3.8 million in the first half of 2019 was mainly due to reversal of impairment loss on trade receivables amounting to US$2.5 million after subsequent settlement of trade receivables in 2019. Also, the interest income substantially increased by depositing proceeds raised from rights issue in early of year 2019.

Operating Expenses and Profit/(loss) Attributable to Equity Shareholders of the Company

Selling & Distribution Expenses

Selling & distribution expenses decreased by 1.4% or US$36,000 from US$2.5 million in the first half year of 2018 to US$2.5 million in the first half year of 2019.

General & Administrative Expenses

General & administration expenses decreased by 0.1% or US$9,000 from US$9.6 million in the first half of 2018 to US$9.6 million in the first half of 2019.

Other Operating Expenses

Other operating expenses slightly increased by 1.8% or US$9,000 from US$0.5 million for the first half of 2018 to US$0.5 million for the first half of 2019.

Finance Costs

Finance cost decreased by 59.3% from US$1.4 million in the first half year of 2018 to US$0.6 million in the first half year of 2019. The decrease was mainly due to repayment of partial bank loans in 2019 and bond notes was fully paid in 2018.

Share of Profits of a joint venture

The Group shared profits from WME amounted to US$7.2 million (31 December 2018 – Nil). Such profit was mainly from selling two premium CJ46 Jack-up rigs and rental of other Jack-up rings during the period as mentioned in business review.

Group's Liquidity and Capital Resources

As at 30 June 2019, the Group carried fixed assets of approximately US$46.6 million (31 December 2018 – US$48.2 million) comprising property, plant and equipment, investment properties and interest in leasehold land held for own use under operating leases. The Group had intangible assets of approximately US$0.3 million (31 December 2018 – US$0.4 million).

As at 30 June 2019, the Group's interest in associates was approximately US$0.3 million (31 December 2018 – US$0.3 million). The Group's interest in joint venture was approximately US$44.2 million (31 December 2018 – Nil). The Group had deferred tax assets of approximately US$2.5 million (31 December 2018 – US$2.5 million). The Group had non-current prepayment of approximately US$0.1 million (31 December 2018 – US$0.5 million). The Group had right-of-use assets of approximately US$4.8 million (31 December 2018 – Nil). The Group had non-current lease receivable of approximately US$3.4 million (31 December 2018 – Nil). The Group had other financial assets of approximately US$0.9 million (31 December 2018 – US$1.0 million).

As at 30 June 2019, the Group had current assets of approximately US$265.3 million (31 December 2018 – US$228.0 million). Current assets mainly comprised cash at bank and in hand of approximately US$51.1 million (31 December 2018 – US$19.8 million), pledged bank deposits of approximately US$0.9 million (31 December 2018 – US$0.8 million), inventories of approximately US$150.0 million (31 December 2018 – US$145.9 million), trade and other receivables of approximately US$58.1 million (31 December 2018 – US$56.3 million), contract assets of approximately US$0.8 million (31 December 2018 – US$2.0 million), current lease receivables of approximately US$1.2 million (31 December 2018 – Nil), tax recoverable of approximately US$0.1 million (31 December 2018 – US$0.1 million), amount due from a related company of approximately US$0.1 million (31 December 2018 – US$0.1 million) and non-current asset classified as held for sale of approximately US$3.0 million (31 December 2018 – 3.0 million).

As at 30 June 2019, current liabilities amounted to approximately US$240 million (31 December 2018 – US$245.2 million), mainly comprising trade and other payables of approximately US$191.6 million (31 December 2018 – US$201.3 million), bank loans and other borrowings of approximately US$11.1 million (31 December 2018 – US$10.3 million), tax payable of approximately US$4.4 million (31 December 2018 – US$4.1 million), contract liabilities of approximately US$31.8 million (31 December 2018 – US$29.4 million), current lease liabilities of approximately US$1.1 million (31 December 2018 – US$0.1 million).

As at 30 June 2019, the Group had non-current liabilities of approximately US$9.3 million (31 December 2018 – US$7.2 million), comprising bank loans and other borrowings of approximately US$5.6 million (31 December 2018 – US$7.0 million), non-current lease liabilities of approximately US$3.6 million (31 December 2018 – US$0.1 million) and deferred tax liabilities of approximately US$0.1 million (31 December 2018 – US$0.1 million). Gearing ratio (total liabilities over total assets) was 67.7%, as compared to 89.9% as at 31 December 2018.

Save as disclosed above, there were no other significant investments or disposals during the reporting period.

Capital Structure

At the beginning of the year at 1 January 2019, there were 1,473,156,204 shares in issue (the "Shares") and the Company carried a share capital of approximately US$18,854,000.

During the first six months in year 2019, the Company allotted 1,473,156,204 shares at a price of HK$0.45 each, in connection with rights issue on the basis of one rights share for each one existing share held on the record date. As at 30 June 2019, the Company had 2,946,312,408 Shares in issue, and a paid up capital of approximately US$247,959,000.

Charges on Assets

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

(i) Interest in leasehold land held for own use under operating leases, buildings, inventories, trade receivables and plant and machinery with aggregate net book value of US$19.6 million (2018: US$19.7 million).

(ii) Corporate guarantees given by Zhengzhou TSC Offshore Equipment Co. Ltd. and TSC Oil and Gas Services Holdings Ltd. to the extent of banking facilities outstanding of US$3.8 million (2018: US$3.8 million) as at 30 June 2019.

(iii) Corporate guarantee given by the Company to the extent of banking facilities outstanding of US$2.9 million (2018: US$3.6 million) as at 30 June 2019.

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

The Group closely monitors its compliance with these covenants. As at 30 June 2019, none of the covenants relating to the Group's bank loans has 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 as most of the Group's subsidiaries in the PRC carried out production locally with Renminbi while approximately 50% of the Group's turnover was denominated in United States dollars. As at 30 June 2019, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, we may utilise foreign currency forward contracts to better match the currency of our revenues and associated costs in the future. However, we do 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.

Contingent Liabilities

As at 30 June 2019, the Company has outstanding guarantees issued to banks in respect of banking facilities granted to a subsidiary. The Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facilities drawn down by a subsidiary of US$Nil (2018: US$Nil).

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 466 full-time staff in Hong Kong, the PRC, the USA, the UK, Brazil, Singapore, Mexico and Colombia. The Group's remuneration policy is basically determined in accordance with the performance of individual employee and the market condition. The Group also provides other benefits to its employees, including medical schemes, pension contributions, share option schemes, Share Award Plan and Share Award Incentive Scheme.

STRATEGY, PROSPECTS AND ORDER BOOK

Currently, CMIC has generally completed the layout for the transformation of its offshore asset management business and the business reorganization of TSC, with rapid improvement in business indicators compared with that for the end of the previous year and a turnaround was witnessed.

Looking ahead, we will strengthen the marketization operation of our offshore asset management business, and strive to seize the prominent historic opportunity for the reorganization and asset merger in offshore industry to take in competitive resources of domestic strategic shareholders and partners, and then take advantage of substantial shareholder's strength to attract more institutional investors while combining with Chinese strengths, so as to realize integrated development along the whole industry chain covering offshore equipment manufacturing and platform operation in terms of its value. Under the circumstances that the global offshore industry has not recovered substantially, we will improve the efficiency of capital operations through recycling capital efficiently, returning capital by fixed income from assets leasing, and financing and leasing etc., to attract strategic capital and keep injecting quality rig assets for expanding global layout of offshore management business and enhancing vertical extension of the whole industry chain of offshore energy. When the market gradually rebounds, the Company is the first to gain the favor of the capital market with the accumulated industrial advantages, and will have its liquidity on the stock market improved and its stock price boosted, thereby maximizing the interest of shareholders and the Company.

For reference only, all market and strategy analysis presented in this announcement is from the Company's perspective, for which the Company does not assume any legal liabilities.

Share Award Plan

The Company adopted a share award plan ("Share Award Plan") on 16 January 2015 (the "Adoption Date of Share Award Plan"). The Share Award Plan does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is awarded at the discretion of the Company. The purpose of the Share Award Plan 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 shall not exceed 3% of the issued Shares at the Adoption Date of the Share Award Plan. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee (the "Trustee"). Pursuant to the Share Award Plan, 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 will be held in trust for the Eligible Persons until such Shares are vested in accordance with the provisions of the rules relating to the Share Award Plan. The Share Award Plan will be effective for a period until 15 January 2025 unless terminated at the discretion of the Board at an earlier date.

No grant was made during the six months ended 30 June 2019. During the first half of 2019, pursuant to the terms of the rules and trust deed of the share award plan, the trustee of the share award plan purchased 18,605,000 Shares on the Stock Exchange at a total consideration of about HK$7,251,820.00. As at 30 June 2019, the Trustee held 21,213,606 Shares (representing 0.72% of the issued share capital of the Company) on trust under the Share Award Plan.

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, 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 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 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 during the six months ended 30 June 2019. As at 30 June 2019, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 0.72% 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 2019, 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					Approximate percentage of the Company's issued share capital *(Note 2)*
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Mr. Zhang Menggui, Morgan *(Note 1)*	4,656,000	–	120,046,200	–	124,702,200	4.23%
Mr. Jiang Bing Hua *(Note 1)*	4,656,000	–	120,046,200	–	124,702,200	4.23%
Mr. Chan Ngai Sang, Kenny	500,000	–	–	–	500,000	0.02%

Notes:

1. Global Energy Investors, LLC. is the beneficial owner of 120,046,200 Shares. The entire share capital of Global Energy Investors, LLC. is beneficially owned as to 50% each by Mr. Zhang Menggui, Morgan and Mr. Jiang Bing Hua, both are the executive Directors of the Company. Accordingly, both Mr. Zhang Menggui, Morgan and Mr. Jiang Bing Hua are deemed to be interested in the 120,046,200 Shares beneficially owned by Global Energy Investors, LLC. under Part XV of the SFO.

2. The percentage is calculated on the basis of 2,946,312,408 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 Merchants Group Limited 招商局集團有限公司 *(Note 4)*	Corporate	1,530,372,000	51.94
China Great Wall Asset Management Co., Ltd. 中國長城資產管理股份有限公司 *(Note 1)*	Corporate	1,530,372,000	51.94
China Great Wall AMC (International) Holdings Company Limited *(Note 1)*	Corporate	1,530,372,000	51.94
Great Wall International Investment V Limited *(Note 3)*	Corporate	1,530,372,000	51.94
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) *(Notes 1, 2, 3 & 4)*	Corporate	1,530,372,000	51.94
China Merchants Great-Wall GP Limited *(Note 2)*	Corporate	1,530,372,000	51.94
Prime Force Investment Corporation *(Note 4)*	Beneficial Owner	1,530,372,000	51.94
Minyun Limited	Beneficial Owner	285,000,000	9.67
China International Marine Containers (Group) Co., Ltd. *(Note 5)*	Corporate	185,600,000	6.30
China International Marine Containers (Hong Kong) Ltd. *(Note 5)*	Beneficial Owner	185,600,000	6.30

Notes:

1. 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.

2. 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.

3. 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.

4. China Merchants Capital Management (International) Limited holds 45% 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* (招商局集團有限公司) ("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.

5. 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.

6. The percentage is calculated on the basis of 2,946,312,408 Shares in issue as at 30 June 2019.

(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 2019, 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 and the section headed "SHARE OPTION SCHEMES" below), 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.

SHARE OPTION SCHEMES

The purpose of the Share Option Scheme (the "Scheme") is to create incentive to the employees, Directors and other eligible participants.

The Scheme

On 5 August 2009 (the "Adoption Date"), the adoption of the Share Option Scheme for granting up to 56,254,040 share options (the "Scheme") which complies with the Listing Rules was approved at the extraordinary general meeting duly convened and held. On 10 August 2009, the Stock Exchange has granted the listing of, and permission to deal in, the Shares which may fall to be issued and allotted upon the exercise of any options that may be granted under the Scheme. This became effective from the Adoption Date and expired on 5 August 2019. Pursuant to the Scheme, the Directors granted (i) 20,295,000 share options at HK$2.06 each to 82 employees of the Group on 18 September 2009, (ii) 9,070,000 share options at HK$1.27 each to 29 employees of the Group on 1 September 2010, (iii) 2,400,000 share options at HK$1.97 each to 2 employees of the Group on 21 February 2011, (iv) 10,780,000 share options at HK$1.02 each to 18 employees of the Group on 4 September 2012, (v) 6,025,000 share options at HK$2.9 each to 23 employees of the Group on 30 August 2013, (vi) 2,400,000 share options at HK$4.16 each to 6 employees of the Group on 2 September 2014, and (vii) 1,500,000 share options at HK$2.11 each to 9 employees of the Group on 24 December 2014. Based on valuation reports done by independent valuers, Jones Lang LaSalle Sallmanns and Ascent Partners, the value of the options granted on 18 September 2009, 1 September 2010, 21 February 2011, 4 September 2012. 30 August 2013, 2 September 2014 and 24 December 2014 under the Scheme were HK$18,701,000, HK$4,602,100, HK$1,973,100, HK$6,934,500, HK$11,305,500, HK$5,232,000 and HK$1,652,000 respectively. The closing price of the Company's Shares on the preceding option granted on 17 September 2009, 31 August 2010, 18 February 2011, 3 September 2012, 29 August 2013, 1 September 2014, and 23 December 2014 under the Scheme were HK$1.85, HK$1.23, HK$1.92, HK$1.01, HK$2.78, HK$3.99, and HK$2.03 respectively. All share options previously granted but unexercised under the Scheme were lapsed on 15 March 2018 due to change of the control of the Company (as defined in the Codes on Takeovers and Mergers and Share Repurchase).

No share options may be further granted under the Scheme as at the date of this announcement.

As at the date of this announcement, there was no share option granted and outstanding under the Scheme.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right for the six months ended 30 June 2019.

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 2019.

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 2019 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.

REMUNERATION COMMITTEE

The remuneration committee was established on 20 October 2005 with written terms of reference in compliance with the code provision on the Corporate Governance Code (the "Code"). It comprises three independent non-executive Directors, namely Mr. Zou Zhendong (being the Chairman), Mr. Chan Ngai Sang, Kenny and Mr. Chen Weidong; and two executive Directors, namely, Mr. Wang Hongyuan and Mr. Jiang Bing Hua.

NOMINATION COMMITTEE

The nomination committee was established on 5 June 2009 with written terms of reference in compliance with the Code. A majority of its current members are independent non-executive Directors. Currently, the members of the committee are Mr. Wang Hongyuan (being the chairman), Mr. Zhang Menggui, Morgan, Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong and Mr. Chen Weidong.

RISK MANAGEMENT AND INTERNAL CONTROL

Based on the respective assessments made by the management and the Corporate Governance team responsible for internal audit activities, the audit committee considered that for the first six months of 2019:

– The risk management and internal controls and accounting systems of the Group remain in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the management's authorization and the interim financial information were reliable for publication.

– An ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a direct and indirect material interest, subsisted during or at the end of the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

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 2019 to 30 June 2019 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.

Mr. Wang Hongyuan concurrently takes up the posts of executive chairman and chief executive officer of the Company. This deviates from provision A.2.1 of the 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, is of the view that Mr. Wang is to date the single most suitable person to be the executive chairman and chief executive officer of the Group. Besides, there are some other management teams with responsibilities for the daily operations and business activities of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business at the present.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2019, 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, purchased on the Stock Exchange a total number of 18,605,000 CMIC shares at a total consideration of about HK$725,182,000.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2019 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.
Wang Hongyuan
Executive Chairman and Chief Executive Officer

Yantai, Shandong, 28 August 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; three non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong and Ms. Fu Rui; and three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong and Mr. Chen Weidong.