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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue amounted to approximately US$58.8 million for the year ended 31 December 2018, representing a decrease of 23.1% as compared with 2017;
- Gross profit amounted to approximately US$10.0 million for the year ended 31 December 2018, representing an increase of 9.0% as compared with 2017;
- Gross profit margin increased from 12.0% for 2017 to 17.1% for 2018, representing an increase of 5.1 percentage points as compared with 2017;
- Loss attributable to equity shareholders of the Company amounted to approximately US$41.4 million for the year ended 31 December 2018, representing a decrease of 50.0% as compared with 2017; and
- The Directors do not recommend the payment of a dividend for 2018.

ANNUAL RESULTS

The board of the directors (the "Board") announces the consolidated results of CMIC Ocean En-Tech Holding Co., Ltd. (formerly known as TSC Group Holdings Limited) (the "Company" or "CMIC") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Year") together with the comparative figures for the year ended 31 December 2017 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018

	Note	**2018** **_US$'000_**	2017 *US$'000*
Revenue	*3*	**58,839**	76,552
Cost of sales		**(48,792)**	(67,331)
Gross profit		**10,047**	9,221
Other revenue and net income	*4*	**934**	2,411
Selling and distribution expenses		**(5,635)**	(6,902)
General and administrative expenses		**(27,693)**	(25,991)
Other operating expenses		**(4,164)**	(10,652)
Impairment losses on trade receivables and contract assets	*5(c)*	**(2,445)**	(3,461)
Impairment losses on gross amount due from customers for contract work	*5(c)*	**–**	(44,684)
Loss from operations		**(28,956)**	(80,058)
Finance costs	*5(a)*	**(2,450)**	(4,352)
Share of profits of associates		**1**	4
Loss before taxation	*5*	**(31,405)**	(84,406)
Income tax (expense)/credit	*6(a)*	**(10,381)**	987
Loss for the year		**(41,786)**	(83,419)
Attributable to:			
Equity shareholders of the Company		**(41,358)**	(82,790)
Non-controlling interests		**(428)**	(629)
Loss for the year		**(41,786)**	(83,419)
Loss per share	*8*		
Basic and diluted		**US(2.98) cents**	US(11.79) cents

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	US$'000	*US$'000*
Loss for the year	**(41,786)**	(83,419)
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Equity investments at FVOCI-net movement in fair value reserve (non-recycling) (with nil tax effect)	**(453)**	–
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries and associates (with nil tax effect)	**(2,708)**	657
Other comprehensive income for the year	**(3,161)**	657
Total comprehensive income for the year	**(44,947)**	(82,762)
Attributable to:		
Equity shareholders of the Company	**(44,514)**	(82,142)
Non-controlling interests	**(433)**	(620)
Total comprehensive income for the year	**(44,947)**	(82,762)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Consolidated Statement of Financial Position

At 31 December 2018

	Note	**2018**	2017
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**40,620**	41,200
Investment properties		**3,503**	8,157
Interest in leasehold land held for own use under operating leases		**4,030**	7,552
Intangible assets		**382**	1,620
Interest in associates		**274**	288
Other financial assets		**1,002**	1,455
Prepayments	*10*	**485**	–
Deferred tax assets		**2,478**	13,083
		52,774	73,355
Current assets			
Inventories	*9*	**145,944**	29,765
Trade and other receivables	*10*	**56,276**	55,964
Gross amount due from customers for contract work		**–**	133,085
Contract assets		**2,012**	–
Amount due from a related company		**101**	101
Tax recoverable		**132**	405
Pledged bank deposits		**802**	563
Cash and cash equivalents		**19,805**	15,287
		225,072	235,170
Non-current asset classified as held for sale	*11*	**2,936**	6,082
		228,008	241,252
Current liabilities			
Trade and other payables	*12*	**201,316**	234,207
Contract liabilities		**29,444**	–
Bank loans and other borrowings		**10,277**	47,601
Obligations under finance leases		**18**	–
Tax payable		**4,128**	4,811
		245,183	286,619

	Note	2018 US$'000	2017 US$'000
Net current liabilities		**(17,175)**	(45,367)
Total assets less current liabilities		**35,599**	27,988
Non-current liabilities			
Bank loans and other borrowings		**7,092**	14,321
Obligations under finance leases		**63**	–
Deferred tax liabilities		**46**	–
		7,201	14,321
NET ASSETS		**28,398**	13,667
CAPITAL AND RESERVES			
Share capital		**18,854**	9,094
Reserves		**9,799**	4,395
Total equity attributable to equity shareholders of the Company		**28,653**	13,489
Non-controlling interests		**(255)**	178
TOTAL EQUITY		**28,398**	13,667

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Note:

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The annual results set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The functional currency of the Company is Hong Kong dollars ("HK$"). Subsidiaries of the Company have their functional currencies other than HK$, mainly Renminbi ("RMB"), United States dollars and Pound Sterling ("GBP"). In view of operations of the Group in various foreign countries, the directors of the Company consider United States dollars, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors and meet the needs of the Group's global customers. Therefore, the directors choose United States dollars as the presentation currency of the financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for investments in equity securities which are stated at their fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

As at 31 December 2018, the Group had net current liabilities of US$17,175,000. Notwithstanding the net current liabilities of the Group at 31 December 2018, the Group's consolidated financial statements for the year ended 31 December 2018 has been prepared on a going concern basis as the directors are of the opinion that the Group would have adequate funds to meet its obligations as and when they fall due in light of the completion of the rights issue with net proceeds amounting to HK$657,290,000 (equivalent to US$83,805,000) in February 2019.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 January 2018.

	US$'000
Accumulated losses	
Transferred to fair value reserve (non-recycling) relating to financial assets now measured at FVOCI	3,207
Recognition of additional expected credit losses on financial assets measured at amortised cost	(2,514)
Related tax	306
Net decrease in accumulated losses at 1 January 2018	999
Fair value reserve (non-recycling)	
Transferred from accumulated losses relating to equity securities now measured at FVOCI to fair value reserve (non-recycling) at 1 January 2018	(3,207)

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets carried at amortised cost				
Trade and other receivables *(note (i))*	55,964	5,628	(2,514)	59,078
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (ii))*	–	1,455	–	1,455
Financial assets classified as available-for-sale under HKAS 39 (note (ii))	1,455	(1,455)	–	–

Note:

(i) Gross amount due from customers for contract work of US$5,628,000 were reclassified to trade and other receivables at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 2(ii)).

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Persta Resources Inc. at FVOCI (non-recycling), as the investment is held for strategic purposes.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– contract assets as defined in HKFRS 15.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	US$'000
Loss allowance at 31 December 2017 under HKAS 39	68,577
Additional credit losses recognised at 1 January 2018 on trade receivables	2,514
Loss allowance at 1 January 2018 under HKFRS 9	71,091

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of an investment in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) *HKFRS 15, Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on accumulated losses and the related tax impact at 1 January 2018:

	US$'000
Accumulated losses	
Later revenue and profit recognition for construction contracts previously recognised under HKAS 11	2,623
Related tax	(38)
Net increase in accumulated losses at 1 January 2018	2,585

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 results in a change in the profile of revenue recognition for certain construction contracts. These construction contracts the Group enters into involve the design, manufacturing, installation and commissioning of rig products and capital equipment for customers. Some of these contracts do not fall into any of the 3 situations mentioned above and, in particular, the underlying rig products and capital equipment produced may have an alternative use to the Group, and/or Group does not have an enforceable right to payment that at least compensates the work done to date including a reasonable profit margin if the customers were to cancel the contract before the contract was fully completed. Accordingly, upon the adoption of HKFRS 15, revenue from some construction contracts which was previously recognised over time under HKAS 11 is only recognised at a single point in time when the control of the underlying products and equipment is transferred to the customers (which is generally upon the transfer of legal title and the customers' acceptance of the products/equipment).

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which increased accumulated losses by US$2,585,000, increased inventories by US$124,757,000, increased contract liabilities by US$1,774,000, and decreased tax payable by US$38,000.

(b) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction in progress were recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and were presented in the consolidated statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer were presented as "Trade debtors and bills receivables" under "Trade and other receivables". Amounts received before the related work is performed are included in "Other payables and accrued charges" under "Trade and other payables".

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

a. "Gross amounts due from customers for contract work" amounting to US$7,479,000 are now included under contract assets and trade and other receivables of US$1,851,000 and US$5,628,000 respectively; and

b. "Other payables and accrued charges" amounting to US$28,491,000 is now included under contract liabilities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Company's and its global subsidiaries are principally engaged in the asset investment and operations management of offshore engineering platforms, clean energy and technology investments, and the design, manufacturing and service of equipment and equipment related to onshore and offshore oil and gas exploration and development industries.

All of the revenue for the year ended 31 December 2018 is recognised in accordance with HKFRS 15. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	US$'000	*US$'000*
Capital equipment and packages		
– Sales of capital equipment	**32,724**	25,637
– Rig turnkey solutions	**–**	903
	32,724	26,540
Sales of expendables and supplies	**24,604**	45,135
Engineering service fee income	**1,511**	4,877
	58,839	76,552

The Group's customer base includes no customers (2017: three customers) with whom transactions have exceeded 10% of the Group's revenues. In 2017, revenues from sales of capital equipment and packages and oilfield expendables and supplies to these customers, including sales to entities which are known to the Group to be under common control with these customers, are listed as follow:

	2017
	US$'000
Customer A[1]	15,058
Customer B[2]	9,417
Customer C[2]	8,334

1 Revenue from sales of capital equipment and packages.

2 Revenue from sales of oilfield expendables and supplies.

(b) Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines (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

(i) 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 and current assets with the exception of interest in associates, 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 and provisions attributable to the activities of the individual segment, with the exception of bank loans and other borrowings, 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 attributed to individual segment, such as share of results of associates, 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.

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 years ended 31 December 2018 and 2017 is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Engineering services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**32,724**	26,540	**24,604**	45,135	**1,511**	4,877	**58,839**	76,552
Inter-segment revenue	**525**	1,514	**2,821**	1,723	**890**	325	**4,236**	3,562
Reportable segment revenue	**33,249**	28,054	**27,425**	46,858	**2,401**	5,202	**63,075**	80,114
Reportable segment results	**(15,106)**	(65,909)	**(10,216)**	(12,966)	**(1,313)**	(3,666)	**(26,635)**	(82,541)
Depreciation and amortisation for the year	**5,251**	4,477	**1,887**	1,968	**13**	682	**7,151**	7,127
Impairment of								
– Property, plant and equipment	**–**	–	**317**	2,222	**–**	1,029	**317**	3,251
– Intangible assets	**–**	–	**–**	–	**–**	448	**–**	448
Reportable segment assets	**187,674**	211,431	**60,727**	63,587	**5,799**	6,793	**254,200**	281,811
Additions to property, plant and equipment during the year	**2,078**	155	**1,102**	3,021	**–**	–	**3,180**	3,176
Reportable segment liabilities	**(196,826)**	(195,903)	**(30,352)**	(36,433)	**(1,125)**	(1,246)	**(228,303)**	(233,582)

(ii) Reconciliation of reportable segment revenue, results, assets and liabilities

	2018	2017
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**63,075**	80,114
Elimination of inter-segment revenue	**(4,236)**	(3,562)
Consolidated revenue *(note 3(a))*	**58,839**	76,552
Results		
Segment results	**(26,635)**	(82,541)
Finance costs	**(2,450)**	(4,352)
Share of profits of associates	**1**	4
Unallocated head office and corporate income and expenses	**(2,321)**	2,483
Consolidated loss before taxation	**(31,405)**	(84,406)
Assets		
Reportable segment assets	**254,200**	281,811
Interest in associates	**274**	288
Other financial assets	**1,002**	1,455
Cash and cash equivalents	**19,805**	15,287
Pledged bank deposits	**802**	563
Deferred tax assets	**2,478**	13,083
Tax recoverable	**132**	405
Unallocated head office and corporate assets	**2,089**	1,715
Consolidated total assets	**280,782**	314,607
Liabilities		
Reportable segment liabilities	**(228,303)**	(233,582)
Bank loans and other borrowings	**(17,369)**	(61,922)
Tax payable	**(4,128)**	(4,811)
Deferred tax liabilities	**(46)**	–
Unallocated head office and corporate liabilities	**(2,538)**	(625)
Consolidated total liabilities	**(252,384)**	(300,940)

(iii) 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 leases, intangible assets, interest in associates and other financial assets ("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 asset, 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 operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in associates, other financial assets and non-current portion of prepayments.

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**–**	–	**1,148**	228
Mainland China	**29,118**	10,456	**45,299**	53,643
North America	**10,175**	23,282	**3,590**	5,147
South America	**11,003**	30,667	**32**	39
Europe	**5,307**	3,759	**200**	1,171
Singapore	**94**	984	**12**	26
Indonesia	**48**	958	**–**	–
Others	**3,094**	6,446	**15**	18
	58,839	76,552	**50,296**	60,272

4 OTHER REVENUE AND NET INCOME

	2018	2017
	US$'000	*US$'000*
Interest income	**175**	187
Rental income	**589**	379
Net foreign exchange loss	**(860)**	(107)
Others	**1,030**	1,952
	934	2,411

5 LOSS BEFORE TAXATION

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

		2018	2017
		US$'000	*US$'000*
(a)	**Finance costs**		
	Interest on bank loans and other borrowings	**2,448**	4,352
	Finance charges on obligations under finance leases	**2**	–
		2,450	4,352
(b)	**Staff costs#**		
	Contributions to defined contribution retirement plans	**3,564**	3,051
	Equity-settled share-based payment expenses	**114**	335
	Salaries, wages and other benefits	**17,106**	19,899
		20,784	23,285
(c)	**Other items**		
	Amortisation of interest in leasehold land held for own use under operating leases#	**207**	208
	Amortisation of intangible assets	**1,210**	1,691
	Depreciation#		
	– property, plant and equipment	**5,732**	5,302
	– investment properties	**421**	512
	Impairment losses on trade receivables and contract assets	**2,445**	3,461
	Impairment losses on other financial assets	**–**	772
	Impairment losses on property, plant and equipment	**317**	3,251
	Impairment losses on intangible assets	**–**	448
	Impairment losses on gross amount due from customers for contract work	**–**	44,684
	Write-off of trade receivables	**–**	142
	Research and development costs	**4,883**	4,417
	Net foreign exchange loss	**860**	107
	Gain on disposal of property, plant and equipment	**(56)**	(78)
	Gain on disposal of non-current assets classified as held for sale	**(13)**	–
	Loss on deregistration of subsidiaries	**–**	786
	Auditors' remuneration		
	– audit services	**530**	453
	– other services	**209**	27
	Minimum lease payments under operating leases in respect of land and buildings	**2,069**	2,164
	Cost of inventories#	**47,949**	64,037

Cost of inventories includes US$6,859,000 (2017: US$8,423,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2018	2017
	US$'000	*US$'000*
Current tax		
Provision for the year		
– The People's Republic of China (the "PRC") enterprise income tax	**171**	63
– Overseas corporation income tax	**103**	204
	274	267
Over-provision in respect of prior years	**(721)**	(2,387)
	(447)	(2,120)
Withholding tax		
PRC withholding tax	**–**	592
Deferred tax		
Origination of temporary differences	**10,828**	541
	10,381	(987)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits subject to Hong Kong Profits Tax for the current and prior years.

No provision for the United States corporate income tax has been made as the Group has no taxable profits subject to the United States corporate income tax for the year ended 31 December 2018. Taxation for the United States corporate income tax for the year ended 31 December 2017 was calculated at 34% of the estimated taxable income for the prior year.

Taxation for subsidiaries in other jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions. During the year, certain PRC subsidiaries are subject to tax at a reduced rate of 15% (2017: 15%) under the relevant PRC tax rules and regulations.

7 DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: US$nil).

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$41,358,000 (2017: loss of US$82,790,000) and the weighted average number of 1,386,131,000 (2017: 702,025,000) ordinary shares in issue during the year excluding ordinary shares purchased by the Group, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**707,120**	707,120
Effect of purchase of shares held for share award scheme	**(5,095)**	(5,095)
Effect of issue of new shares	**683,426**	–
Effect of share options exercised	**680**	–
Weighted average number of ordinary shares at 31 December	**1,386,131**	702,025

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the years ended 31 December 2018 and 2017 because the potential ordinary shares outstanding were anti-dilutive.

9 INVENTORIES

	31 December 2018	**1 January 2018**	31 December 2017
	US$'000	***US$'000***	*US$'000*
Raw materials	**3,285**	**2,475**	2,475
Work in progress	**125,387**	**135,313**	10,556
Finished goods	**17,272**	**16,734**	16,734
	145,944	**154,522**	29,765

Note: Upon the adoption of HKFRS 15, an opening adjustment were made as at 1 January 2018 to certain made-to-order construction contracts. This has resulted in an increase in inventories as at that date (see note 2(ii)).

10 TRADE AND OTHER RECEIVABLES

	31 December 2018 *US$'000*	**1 January 2018** *US$'000*	31 December 2017 *US$'000*
Trade debtors and bills receivables	**107,099**	**114,331**	108,703
Less: loss allowance	**(65,795)**	**(71,091)**	(68,577)
	41,304	**43,240**	40,126
Other receivables, prepayments and deposits	**15,457**	**15,838**	15,838
	56,761	**59,078**	55,964
Less: Non-current portion of prepayments	**(485)**	**–**	–
	56,276	**59,078**	55,964

Note: Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivables (see note 2(i)) and reclassification from "Gross amount due from customers for contract work" (see note 2(ii)).

Except for the prepayments of US$485,000 as at 31 December 2018, all of the other receivables, prepayments and deposits are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivables (net of loss allowance) with the following ageing analysis as of the end of the reporting period:

	2018 *US$'000*	2017 *US$'000*
Current	**12,779**	5,657
Less than 1 month past due	**2,313**	3,356
1 to 3 months past due	**4,704**	5,477
More than 3 months but within 12 months past due	**5,100**	17,315
More than 12 months past due	**16,408**	8,321
Amounts past due	**28,525**	34,469
	41,304	40,126

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 in 1 to 2 months after delivery and acceptance of products. 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.

(b) Impairment of trade debtors and bills receivables

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for different customer geographical segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

Movement in the loss allowance account in respect of trade debtors and bills receivables during the year is as follows:

	2018	2017
	US$'000	*US$'000*
Balance at 31 December 2017 under HKAS 39	**68,577**	62,057
Impact on initial application of HKFRS 9 *(note 2(i))*	**2,514**	–
Adjusted balance at 1 January	**71,091**	62,057
Exchange adjustments	**(3,071)**	3,059
Impairment losses recognised during the year	**2,427**	3,461
Amounts written off during the year	**(4,652)**	–
Balance at 31 December	**65,795**	68,577

There were no significant changes in the gross carrying amounts of trade debtors and bills receivables, accordingly, the loss allowance did not change significantly during the year ended 31 December 2018.

11 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

(i) During the year ended 31 December 2017, the Group committed to a plan to sell a premise previously included in land and buildings held for own use (the "Disposable Asset") in the United States within the oilfield expendables and supplies segment, which is not part of the core businesses of the Group.

The Disposable Asset with a carrying amount of US$8,304,000 immediately prior to the classification as held for sale was written down to its fair value less cost to sell of US$6,082,000. The disposal had been completed during the year ended 31 December 2018.

(ii) During the year ended 31 December 2018, the Group committed to a plan to sell certain interest in leasehold land held for own use under operating leases in Qingdao, the PRC, within the capital equipment and packages and oilfield expendables and supplies segments. In the opinion of the directors, the disposal of these assets is expected to be completed within twelve months from the end of the reporting period.

As a result, the assets with aggregate carrying amount of RMB20,282,000 (equivalent to US$3,072,000) have been classified as non-current assets classified as held for sale as at 31 December 2018. No impairment losses have been recognised prior to this classification as the carrying amount of these assets was lower than the respective fair value less cost to sell. The balance has been re-translated to US$2,936,000 at 31 December 2018.

12 TRADE AND OTHER PAYABLES

	31 December 2018	**1 January 2018**	31 December 2017
	US$'000	***US$'000***	*US$'000*
Trade creditors and bills payables	**188,833**	**196,286**	196,286
Other payables and accrued charges	**12,483**	**9,430**	37,921
	201,316	**205,716**	234,207

Note: As a result of the adoption of HKFRS 15, advances received are included in contract liabilities.

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on invoice date, is as follows:

	2018	2017
	US$'000	*US$'000*
Within 1 month	**163,591**	174,982
More than 1 month but within 3 months	**3,900**	2,153
More than 3 months but within 12 months	**5,194**	9,891
More than 12 months but within 24 months	**3,308**	8,597
More than 24 months	**12,840**	663
	188,833	196,286

MANAGEMENT DISCUSSION AND ANALYSIS

DELIVERS AN INTEGRATED VALUE CHAIN OF OFFSHORE ENERGY TECHNOLOGY

OVERVIEW

Recovery of the global economy in 2018 was adversely affected by trade friction and the negative impact of trade protectionism. Volatile crude oil prices trading between US$60 and US$80 per barrel, added to market uncertainties. And with the remaining oversupply from previous years in all sectors of the offshore industry, our customers remained prudent on new investments in capital expenditures during the year.

In these market circumstances, the Group's main focus during 2018 was to further develop its existing businesses and to focus on new areas of business innovation and transformation. Leveraging on the relevant engineering technology and solutions accumulated in past years, the Group actively developed its existing business by investing more resources and sales efforts in manufacturing of high end equipment such as land rigs and in components, consumables and maintenance & repair service relating to operation and maintenance of oil and gas drilling. The Group increased focus in the China region where exploration and production activities continues to grow.

Although the rate of aged rig being retired from operations continued at an increasing pace, the overall rig situation remains in excess of new rig contracts. Since China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) (the "Fund") became the substantial shareholder, the Group performed actively to execute innovative and transformative solutions for platform assets and exploring assets management business in offshore industry based on its own and the shareholder's advantages to further drive future business development and sustainable growth.

FINANCIAL REVIEW

	2018	2017	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**58,839**	76,552	(17,713)	(23.1)
Gross Profit	**10,047**	9,221	826	9.0
Gross Profit Margin	**17.1%**	12.0%		
Loss from operations	**(28,956)**	(80,058)	51,102	63.8
Net loss attributable to Equity Shareholders	**(41,358)**	(82,790)	41,432	50.0
Net Loss Margin	**(70.3%)**	(108.1%)		
Loss per Share (Basic and diluted)	**(US2.98 cents)**	(US11.79 cents)	US8.81 cents	74.7

Revenue

The overstocking and weak demand for platform products in the offshore industry market was due to the depressed demand in O&G industry. The Group's revenue decreased from US$76.6 million in 2017 to US$58.8 million in 2018. The land rig related products showed some improvements when oil price recovered at the beginning of the year. The Group invested sales efforts in land rigs in China, which contributed part of revenue this year.

Segment Information by Business Segments

	2018		2017		Increase/ (decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Capital Equipment and Packages	**32,724**	**55.6**	26,540	34.7	6,184	23.3
Oilfield Expendables and Supplies	**24,604**	**41.8**	45,135	59.0	(20,531)	(45.5)
Engineering Services	**1,511**	**2.6**	4,877	6.3	(3,366)	(69.0)
Total revenue	**58,839**	**100.0**	76,552	100.0	(17,713)	(23.1)

Capital Equipment and Packages

Revenue recognised on Capital Equipment and Packages projects increased by 23.3% in 2018 compared to 2017. It increased from US$26.5 million in 2017 to US$32.7 million in 2018. The addition of drilling related equipment of US$6.2 million was mainly driven by sales of land rigs and its products.

Oilfield Expendables and Supplies

The decrease of 45.5% from US$45.1 million in 2017 to US$24.6 million in 2018 for Oilfield Expendables and Supplies was due to the slow down in sales in Venezuela in 2018 as resulted from its political upheaval. Revenue in South America decreased by 64.1% to US$11.0 million in 2018 compared to US$30.7 million in 2017.

Engineering Services

Engineering Services revenue decreased from US$4.9 million in 2017 to US$1.5 million in 2018 mainly due to reduced demand for offshore engineering services.

Segment Information by Geographical Regions

	2018		2017		Increase/ (decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Mainland China	**29,118**	**49.5**	10,456	13.7	18,662	178.5
North America	**10,175**	**17.2**	23,282	30.4	(13,107)	(56.3)
South America	**11,003**	**18.7**	30,667	40.1	(19,664)	(64.1)
Europe	**5,307**	**9.0**	3,759	4.9	1,548	41.2
Singapore	**94**	**0.2**	984	1.3	(890)	(90.4)
Indonesia	**48**	**0.1**	958	1.3	(910)	(95.0)
Others	**3,094**	**5.3**	6,446	8.3	(3,352)	(52.0)
Total revenue	**58,839**	**100.0**	76,552	100.0	(17,713)	(23.1)

Gross Profit and Gross Profit Margin

The Gross Profit of US$10.0 million for the year of 2018 increased by 9.0% from US$9.2 million in the previous year. Gross Profit Margin increased from 12.0% in 2017 to 17.1% in 2018. The increase was mainly due to high profit margin contribution from power control packages and drop in write-down for inventories during the year.

Other Revenue and Net Income

The decrease in Other Revenue and Net Income from US$2.4 million in 2017 to US$0.9 million in 2018 was mainly due to increase in exchange loss by US$0.9 million and drop in government subsidy granted by US$0.9 million in 2018.

Selling and Distribution Expenses

Selling and Distribution Expenses decreased by US$1.3 million from US$6.9 million in 2017 to US$5.6 million in 2018. Selling and Distribution Expenses mainly comprised of sales staff salaries, commissions, marketing expenses including participation in trade shows, travel costs and other sales and promotional expenditure. The decrease of Selling and Distribution Expenses was due to the sales decline and cost control in 2018.

General and Administrative Expenses

General and Administrative Expenses increased from US$26.0 million in 2017 to US$27.7 million in 2018. The increase was mainly due to increase in travelling expenses, research and development cost and professional fees.

Other Operating Expenses

The decrease in Other Operating Expenses from US$10.7 million in 2017 to US$4.2 million in 2018 was mainly due to decrease in amortisation of intangible assets and impairment loss on property, plant and equipment.

Finance Costs

Finance Costs, primarily interest on bank loans and other borrowings, amounted to approximately US$2.5 million in 2018. The interest was mainly incurred in respect of the bond notes issued at the end of 2014. The bond notes were due for repayment in April and May 2018. Also, the Group repaid bank loans in order to cut interest cost.

Group's Liquidity and Capital Resources

As at 31 December 2018, the Group carried tangible assets of approximately US$51.1 million (2017: US$63.0 million) being property, plant and equipment, investment properties, interest in leasehold land held for own use under operating leases and non-current asset classified as held for sale. During the year, the Group disposed of its properties in the United States.

As at 31 December 2018, the Group's intangible assets was approximately US$0.4 million (2017: US$1.6 million). The reduction in intangible assets was due to amortisation charge for the year. As at 31 December 2018, the Group's interest in associates was approximately US$0.3 million (2017: US$0.3 million) and deferred tax assets was approximately US$2.5 million (2017: US$13.1 million). Part of deferred tax assets was charged to consolidated statement of profit or loss in 2018.

As at 31 December 2018, the Group's current assets amounted to approximately US$228.0 million (2017: US$241.3 million). Current assets mainly comprised of inventories of approximately US$145.9 million (2017: US$29.8 million), trade and other receivables of approximately US$56.3 million (2017: US$56.0 million), and gross amount due from customers for contract work of approximately US$nil (2017: US$133.1 million). Majority of the amount due from customers for contract work was adjusted to inventories due to change in timing of revenue recognition upon the adoption of HKFRS 15 during the year.

The continuous downturn of the O&G market resulted in further write-down for inventories of US$3.2 million (2017: US$6.0 million) and impairment loss for trade and other receivables of US$2.4 million (2017: US$3.5 million).

As at 31 December 2018, amount due from a related company amounted to approximately US$0.1 million (2017: US$0.1 million), pledged bank deposits amounted to approximately US$0.8 million (2017: US$0.6 million) and cash and cash equivalents amounted to approximately US$19.8 million (2017: US$15.3 million).

As at 31 December 2018, current liabilities amounted to approximately US$245.2 million (2017: US$286.6 million), mainly comprised of trade and other payables of approximately US$201.3 million (2017: US$234.2 million), bank loans and other borrowings of approximately US$10.3 million (2017: US$47.6 million), and current tax payable of approximately US$4.1 million (2017: US$4.8 million). The decrease in short-term bank loans and other borrowings was mainly due to the Bond Notes expired in April and May 2018 and repayment of the bank loans. Contract liabilities amounted to US$29.4 million (2017: US$nil), trade and other payables as at 31 December 2017 amounting to US$28.5 million was reclassified to contract liabilities as at 1 January 2018 upon the adoption of HKFRS 15 during the year.

As at 31 December 2018, the Group had non-current liabilities of approximately US$7.2 million (2017: US$14.3 million), which comprised of bank loans and other borrowings of approximately US$7.1 million (2017: US$14.3 million) and deferred tax liabilities of US$0.1 million (2017: US$nil). 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 31 December 2018 was 89.9% (2017: 95.7%).

Significant Investments and Disposals

On 21 July 2017, two equity transfer agreements in relation to the disposals of the equity interests in an indirect wholly-owned subsidiary of the Company were entered into between the Group and the relevant purchasers. Agreement A: pursuant to which Thousand Code Limited ("TCL") agreed to sell 21.05% of the equity interests in Qingdao TSC to Beijing He Ju Tian Yang Investment Management Centre (北京合聚天揚投資管理中心(有限合伙)) (Purchaser A) at the cash consideration of RMB25,684,000; and Agreement B: pursuant to which TCL agreed to sell 28% of the equity interests in Qingdao TSC to Purchaser B at the cash consideration of RMB34,159,720.00. Since the parties have not been able to complete the transaction as contemplated or reach consensus or attentive arrangement of sale, the transaction would not proceed.

On 23 November 2018 (after trading hours), the Fund, Alliance Offshore Group Limited ("AOG") a wholly owned subsidiary of the Company and Wealthy Marvel Enterprises Limited ("JV"), a wholly owned subsidiary of the Fund, entered into the share subscription and joint venture agreement dated 23 November 2018 entered into between the Fund, AOG and JV ("Subscription and Joint Venture Agreement"), pursuant to which (i) AOG would subscribe for, and the Fund would procure the JV to allot and issue, 50,000,000 shares of US$1.00 each, representing 50% of the enlarged issued share capital of the JV after the completion, at a total subscription price of US$50 million (the "JV Subscription"), (ii) the Fund would contribute the two units of self-elevating drilling units (the "Rig Assets") to the JV at the total consideration of US$150 million, out of which US$50 million would be satisfied by the JV by the allotment and issue of 49,999,999 shares of US$1.00 each to the Fund, which together with the one share owned by the Fund would represent 50% of the enlarged share capital of the JV after the completion, and the balance of the consideration of US$100 million would be satisfied by a shareholder's loan to be advanced by the Fund to the JV. Pursuant to the Subscription and Joint Venture Agreement, the parties agreed to regulate their respective rights and obligations towards the management and operation of the JV upon completion of the JV Subscription pursuant to the Subscription and Joint Venture Agreement. Immediately after the completion of the JV Subscription, the JV would be owned as to 50% by the Company and 50% by the Fund. The JV Subscription has been completed on 20 February 2019.

Save as disclosed above, there were no significant investments or disposals during the year.

Capital Structure

At 31 December 2018, there were 1,473,156,204 shares in issue and the Company carried a share capital of approximately US$18,854,000. Subsequent to the year end, on 4 February 2019 the capital structure of the Company was increased by way of Rights Issue as set out in the Subsequent Events section below.

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 and plant and machinery with aggregate net book value of US$19.7 million (2017: Interest in leasehold land held for own use under operating leases, building, inventories, trade receivables and plant and machinery with aggregate net book value of US$57.7 million).

(ii) Corporate guarantees given by Zhengzhou TSC Offshore Equipment Co. Ltd. and TSC Oil and Gas Services Group Holdings Ltd. to the extent of banking facilities outstanding of US$3.8 million (2017: Given by Qingdao TSC Offshore Equipment Co. Ltd, Zhengzhou TSC Offshore Equipment Co. Ltd, TSC Oil and Gas Services Group Holdings Ltd. and TSC MS Holding Inc. to the extent of banking facilities outstanding of US$10.8 million) as at 31 December 2018.

(iii) Corporate guarantees given by the Company to the extent of banking facilities outstanding of US$3.6 million (2017: US$4.2 million) as at 31 December 2018.

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 closely monitors its compliance with these covenants. As at 31 December 2018, the Group did not meet certain covenants of a bank loan of US$3.6 million, which was fully repaid subsequent to the year end in accordance with the repayment schedule, other than that, 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 31 December 2018 and 2017, 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 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.

Non-Exempt Connected Transactions

On 23 November 2018 (after trading hours), the Fund, AOG and the JV entered into the Subscription and Joint Venture Agreement, pursuant to which (i) AOG will subscribe for, and the Fund will procure the JV to allot and issue, 50,000,000 shares of US$1.00 each, representing 50% of the enlarged issued share capital of the JV after the Completion, at a total subscription price of US$50 million, (ii) the Fund will contribute the Rig Assets to the JV at the total consideration of US$150 million, out of which US$50 million will be satisfied by the JV by the allotment and issue of 49,999,999 shares of US$1.00 each to the Fund, which together with the one share owned by the Fund will represent 50% of the enlarged share capital of the JV after the Completion, and the balance of the consideration of US$100 million will be satisfied by a shareholder’s loan to be advanced by the Fund to the JV. Pursuant to the Subscription and Joint Venture Agreement, the parties agreed to regulate their respective rights and obligations towards the management and operation of the JV upon completion of the JV Subscription.

The JV Subscription has been completed on 20 February 2019.

Staff Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 518 full-time staff in the United States, the United Kingdom (“UK”), Brazil, United Arab Emirates, 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 and share option schemes.

STRATEGY AND PROSPECTS

Market Review

In the past year and 2019, the external economic situation we faced has become more complicated and volatile. From an international perspective, trade protectionism re-found its stage in the global market along with increasing trade friction, tightened liquidity of the US dollar interest rate hike and negative impact to the multilateral trading system, which in turn adversely affected the global economy recovery. From a domestic perspective, China is standing at a crucial juncture where economic structure is optimising and new growth drivers are taking the place of old ones. In the current volatile situation, China will be under greater downward pressure for its overall economic growth, and the manufacturing climate index may continue to decline.

For the energy industry, the annual average price of Brent crude oil was US$43.74 in 2016 and US$54.15 in 2017, and the crude oil price in 2018 was teetering between US$60 and US$80 with an average price of US$71.4. For the past three years, the oil price has gradually recovered in fluctuation, and the upstream capital expenditure will gradually increase. It is predicted that investment in offshore drilling from oil companies will maintain a compound annual growth rate of 9% between 2018 and 2022. In the meantime, along with the development of global energy structure towards "light carbonisation", the clean energy demand for natural gas will maintain a growth rate of about 1.7%, much higher than the annual growth rate of 0.7% of oil, for which natural gas is expected to replace coal as the second largest source of energy in 2035. The Company shall focus on LNG industry for its tremendous investment opportunities.

Judging from the supply and demand of offshore assets, the excessive construction caused by the offshore boom in previous years has resulted in the oversupply of offshore drilling platforms, based on which the demand for construction orders for new platforms is still stagnant in the near term. However, the impairment of the new platform assets and the decline in the daily rate indicate that the inefficiency of the 30-year-old ship or above accounting for more than 55% and the accelerating elimination of the old platforms with high maintenance cost, would finally contribute to a comparatively saturated market of drilling platform and significantly increased rental activities. With the reduction of platform supply, the elimination of old platforms and the recovery of the oil industry, the increase in upstream capital investment of oil companies has contributed to a rise in the overall utilisation rate of jack-up drilling rigs. Presently, the average utilisation rate of jack-up drilling rigs is approximate to 75%, and the platform utilisation rate has the chance to recover to more than 80% in 2020. Based on our previous experience, the daily rate will increase significantly once the platform utilisation rate reaches 80% or more.

Strategy and Prospects

With the Fund becoming the controlling shareholder of CMIC, the Company will be committed to building a brand as the "world-class operator delivering the integrated chain value of offshore energy technology" by adhering to the balanced development concept of "Quality comes first and benefit takes priority under moderate scale" and focusing on the intentions in "Offshore as the base, Energy as the accelerator, Technology as the incubator, Capital as the value driver and Globalisation as the foundation".

With the improvement of the offshore industry market, the international offshore industry has acquired the opportunity to reshuffle. After years of accumulation in the offshore industry, CMIC has laid a solid foundation in various aspects including internationalised employment of talents, project management and market performance. In 2019, the Company will seize the counter-cyclical chance of the global offshore industry to accelerate the integration of low-cost and high-quality offshore assets, in order to expand the scale of AOG offshore asset management platform in Singapore. First of all, the Company is to seek potential investment opportunities in the offshore industry by leveraging the capital financing advantages of the offshore fund and the listed platforms as well as the rental and sales of offshore assets. Secondly, the Company is to proactively establish a long-term mutually beneficial strategic cooperation mechanism with top offshore industry investors in the world. In addition to the cooperation opportunities for offshore drilling platforms, the Company will actively explore investment integration opportunities in LNG aspects and other fields to gradually increase the publicity of CMIC in the offshore assets investment and management. Thirdly, the Company is to enhance the communication with domestic shipbuilding enterprises, striving to find out an overall cooperation model for "offshore inventory assets". Fourthly, the Company is to maintain close cooperation with related party China Merchants Group and strategic shareholder CIMC International Marine Containers (Group) Ltd. for seeking coordinate development in the integration of offshore assets. Fifthly, the Company is to accelerate the implementation of the preparatory work for the CMIC Singapore Offshore Operations Center, so as to further enhance the scale and awareness of CMIC offshore asset management business in 2019 by actively bridging the financial leasing business and grasp the chance to acquire low-value and high-quality assets.

PLANS FOR FUTURE MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

The Company has raised a net total of approximately HK$657 million through the Rights Issue (details as provided in the Subsequent Events section below), which is intended to be used for the acquisition of offshore drilling rig assets, repayment of existing debt and general working capital of the Group.

The Company strategically positioned itself as a world-class operator delivering the integrated chain value of offshore energy technology. The Company will seek potential resource integration and investment opportunities around the marine, energy and technology industry chain. Firstly, the Company has to strengthen its offshore asset management business and seek potential investment opportunities in the offshore industry by leveraging the capital financing advantages of the offshore fund and the listed platforms as well as the rental and sales of offshore assets. Secondly, the Company has to actively explore the opportunity for investment integration of clean energy including LNG. Thirdly, the Company pays attention to the development of new technologies and potential investment projects in the field of smart manufacturing.

In considering the potential investment or acquisition targets, the Company 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. Overall, the potential acquisition and development plans being considered are intended to improve financial performance of the Company by expanding its business direction and creating a new profit model, so as to provide a firm basis for future growth expansion.

CHANGE OF CONTROLLING SHAREHOLDER

On 14 December 2017, the Company entered into a subscription agreement ("Subscription Agreement") with the Fund (the "Subscriber"). Pursuant to the Subscription Agreement, the Company had conditionally agreed to allot and issue to the Subscriber or Prime Force Investment Corporation (the "Subscriber Nominee"), and the Subscriber had conditionally agreed to subscribe for, or nominate the Subscriber Nominee to subscribe for, at Completion, 765,186,000 Subscription Shares at the Subscription Price of HK$512,674,620, being HK$0.67 per Subscription Share (the "Subscription"). An application was made by the Subscriber to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares. On 5 February 2018, the Company held the extraordinary general meeting ("EGM") at which all Resolutions set out in the notice of the EGM dated 19 January 2018 were duly passed by the Independent Shareholders by way of poll. The Executive granted the Whitewash Waiver on 1 February 2018, subject to the fulfillment of the conditions set out therein. Accordingly, no mandatory general offer under Rule 26 of the Takeovers Code was required to be made by the Subscriber Nominee as a result of the Subscription of the Subscription Shares pursuant to the Subscription Agreement. All conditions precedent in respect of the Subscription have been fulfilled and completion of the Subscription took place on 9 February 2018 (the "Completion"). Further details regarding the Subscription Agreement were as set out in the announcement dated 14 December 2017 and the circular dated 19 January 2018 of the Company.

As disclosed in the Circular dated 19 January 2018, the part of gross proceeds from the Subscription amounting to approximately HK$353,550,000, representing approximately 70% of the proceeds of the Subscription (the "Proceeds") were intended to be used to fund the expansion of the Group's existing business and/or potential acquisition to be decided by the Board after the Completion.

As at 29 March 2018, the Board decided the amount of HK$217,000,000 to be used for repayment of Bond Notes shall be carved out from the part of the Proceeds intended for expansion of the Group's existing business and/or potential acquisition since the Group has not yet reached the stages of business expansion or acquisitions where there is an imminent need for the funds.

Further details regarding the change of the Proceeds was set out in the announcement dated 29 March 2018.

APPOINTMENT AND RESIGNATION OF EXECUTIVE DIRECTORS

- Mr. Yang Guohui has been appointed as an Executive Director and Chief Operating Officer ("COO") with effect from 9 February 2018, and he has resigned as an Executive Director with effect from 1 April 2018 due to work reallocation. Mr. Yang remains as the COO of the Group.

- Mr. Wang Yong resigned as an Executive Director and Chief Executive Officer with effect from 9 February 2018, following completion of the Subscription Agreement, and he has been re-appointed as President of the Group.

APPOINTMENT AND RESIGNATION OF NON-EXECUTIVE DIRECTORS

- Ms. Li Rong has been appointed as a Non-Executive Director with effect from 9 February 2018.

- Mr. Lou Dongyang has been appointed as a Non-Executive Director with effect from 1 April 2018.

- Mr. Jiang Longsheng resigned as a Non-Executive Director with effect from 9 February 2018, following completion of the Subscription Agreement.

- Mr. Brian Chang resigned as a Non-Executive Director with effect from 9 February 2018, following completion of the Subscription Agreement.

- Ms. Li Rong resigned as Non-Executive Director with effect from 7 December 2018, because of her desire to devote more time to her family.

APPOINTMENT AND RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

- Mr. Guan Zhichuan resigned as Independent Non-Executive Director on 18 May 2018 because he, being a professor at the College of Petroleum Engineering of the China University of Petroleum, wanted to devote more time to his teaching.

- Dr. Lu Xiaoming resigned as Independent Non-Executive Director on 18 May 2018 in pursuit of his personal career development and to focus more on his family matters.

- Mr. Zou Zhendong has been appointed as an Independent Non-Executive Director with effect from 18 May 2018.

- Mr. Chen Weidong has been appointed as an Independent Non-Executive Director with effect from 5 June 2018.

CHANGE OF BOARD COMMITTEES MEMBERS

- On 9 February 2018, Mr. Guan Zhichuan ceased to be the chairman but remains as a member of the Remuneration Committee; Mr. Zhang Menggui, Morgan ceased to be a member of the Remuneration Committee and the chairman of the Compliance Committee; Mr. Jiang Bing Hua ceased to be the chairman of the Nomination Committee; Dr. Lu Xiaoming has been appointed as the chairman of the Remuneration Committee; Mr. Wang Hongyuan has been appointed as a member of the Remuneration Committee and the chairman of the Nomination Committee; and Mr. Yang Guohui has been appointed as the chairman of the Compliance Committee.

- On 1 April 2018, Mr. Yang Guohui ceased to be the chairman of the Compliance Committee of the Company; and Mr. Lou Dongyang has been appointed as the chairman of the Compliance Committee.

- On 18 May 2018, Dr. Lu Xiaoming ceased to be the chairman of the Remuneration Committee of the Company, member of the Audit Committee of the Company and member of the Nomination Committee of the Company; Mr. Guan Zhichuan ceased to be the member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee of the Company; Mr. Zou Zhendong has been appointed as the chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company.

- On 5 June 2018, Mr. Chen Weidong has been appointed as a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee of the Company respectively.

SHARE AWARD PLAN

The Company adopted a share award plan ("Share Award Plan") on 16 January 2015 (the "Adoption Date"). The Share Award Plan 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 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. A trust has been set up and Treasure Maker Investments Limited has been appointed as 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 for the year ended 31 December 2018. As at 31 December 2018, the trustee held 5,095,000 Shares (representing 0.35% of the issued share capital of the Company) on trust under the Share Award Plan.

Subsequent to 31 December 2018, pursuant to the terms of the rules and trust deed of the share award plan, the trustee of the share award plan purchased 8,684,000 Shares on the Stock Exchange at a total consideration of about HK$3,867,549. As at the date of this announcement, the trustee held a total 13,779,000 Shares (representing 0.47% of the issued share capital of the Company) 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 adopted by the Company on 16 January 2015, 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 year ended 31 December 2018. As at 31 December 2018, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 1.44% of the issued share capital of the Company.

SUBSEQUENT EVENTS

Change Of Company Name, Company Website, Company Logo And Stock Short Name

On 23 November 2018, the Board proposed to change the English name of the Company from "TSC Group Holdings Limited" to "CMIC Ocean En-Tech Holding Co., Ltd." and to change the Chinese name of the Company from "TSC集團控股有限公司" to "華商國際海洋能源科技控股有限公司" (the "Change of Company Name"). On 3 January 2019, pursuant to resolutions passed by the shareholders of the Company at its extraordinary general meeting, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Cayman Islands on 11 January 2019, and The Registrar of Companies in Hong Kong issued the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company on 29 January 2019 both certifying the change of English name of the Company from "TSC Group Holdings Limited" to "CMIC Ocean En-Tech Holding Co., Ltd." and the adoption of the Chinese name "華商國際海洋能源科技控股有限公司" as the dual foreign name in Chinese of the Company.

The stock short name will be changed from “TSC GROUP” to “CMIC OCEAN” in English and from “TSC集團” to “華商國際海洋控股” in Chinese for the purpose of trading in the Shares on the Stock Exchange on 18 February 2019. The stock code of the Company on the Stock Exchange will remain unchanged as “206”. The website of the Company was changed from “http://www.t-s-c.com” to “http://www.cmicholding.com” with effect from 13 February 2019. The logo of the Company has been changed to “”. Further details regarding the Change of Company Name were as set out in the announcements dated 13 November 2018 and 13 February 2019; and the circular dated 4 December 2018.

Connected Transaction Sale Agreement Of Pump(s)

On 11 January 2019, Qingdao TSC Offshore Equipment Co., Ltd.* (青島天時海洋石油裝備有限公司) (“TSCOE”), an indirectly wholly-owned subsidiary of the Company, entered into the sale agreement with China Merchant Heavy Industry (Jiangsu) Co., Ltd. (“CMHI (Jiangsu) ”) pursuant to which TSCOE agreed to sell and CMHI (Jiangsu), a wholly-owned subsidiary of China Merchants Group Limited* (招商局集團有限公司) (“CM Group”), agreed to purchase pump(s) (the “Sale Agreement”). The consideration shall be RMB7,490,000 (equivalent to approximately HK$8,493,660), which was determined after arm’s length negotiations between the parties to the Sale Agreement with reference to the market for prices of comparable pumps.

As CMHI (Jiangsu) is a wholly-owned subsidiary of China Merchants Industry Holdings Co., Ltd. (“CM Industry”), a company is indirectly wholly-owned by CM Group, whereas CM Industry is ultimately wholly-owned by CM Group.

The Fund is a controlling shareholder (beneficially interested in an aggregate of 765,186,000 Shares, representing approximately 51.94% of the entire issued share capital of the Company as at 11 January 2019) of the Company and therefore a connected person of the Company. The Fund is indirectly controlled by CM Group. CMHI (Jiangsu) is therefore an associate of CM Group, CM Industry and the Fund, and is a connected person of the Company under the Listing Rules. As a result, the Sale Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the transaction value relating to the Sale Agreement is more than 0.1% and less than 5%, the connected transaction shall be subject to the reporting, annual review and announcement requirements under Rule 14A.76 of the Listing Rules, but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Further details regarding the connected transaction sale agreement of pumps were as set out in the announcement dated 11 January 2019.

* *For identification purpose only*

Rights Issue, Underwriting Agreement And Increase In Authorised Share Capital

On 8 November 2018, the Company entered into the underwriting agreement with the China Tonghai Securities Limited (formerly known as Oceanwide Securities Company Limited) ("Tonghai Securities") and CCB International Capital Limited ("CCBI") (the "Underwriters") ("Underwriting Agreement"), the rights issue on the basis of one Rights Share for every one Share held on 10 January 2019 as a record date ("Rights Issue") at the subscription price ("Subscription Price") of HK$0.45 per rights share ("Rights Share"). Pursuant to the Underwriting Agreement, Tonghai Securities has agreed to subscribe for, or procure the subscription for, up to 589,000,000 Rights Shares, being all the Underwritten Shares, and CCBI has agreed to procure the subscription for, on a best effort basis, any untaken Right Shares up to 118,970,204 Rights Shares. The Company intends to use the net proceeds for (i) Wealthy Marvel Enterprises Limited (the "JV") to allot and issue, 50,000,000 shares of US$1.00 each, representing 50% of the enlarged issued share capital of the JV after the completion of the Rights Issue pursuant to the subscription and joint venture agreement dated 23 November 2018 ("Subscription and Joint Venture Agreement"); (ii) repayment of the existing debts of the Group; and (iii) general working capital of the Group. On 28 December 2018, the Rights Issue resolution was passed by the independent shareholders of the Company at its extraordinary general meeting.

In order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, on 28 December 2018, pursuant to a resolution passed by the shareholders of the Company at its extraordinary general meeting, the authorised share capital of the Company was increased to HK$1,000 million divided into 10,000,000,000 Shares. Further details regarding the Rights Issue, Underwriting Agreement, and Increase in Authorised Share Capital were as set out in the announcements of the Company dated 30 November 2018, 6 December 2018, 7 December 2018, 28 December 2018 and 1 February 2019; the circular dated 11 December 2018 and the prospectus dated 11 January 2019 of the Company.

Save as disclosed above in this announcement, no subsequent events occurred after 31 December 2018 which may have significant effects on the assets and liabilities of future operations of the Group.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the independent non-executive Directors an annual confirmation of his independence. The Company considered all the independent non-executive Directors are independent.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

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 for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of 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 throughout the year ended 31 December 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain 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 Code on Corporate Governance Practices ("CG Code") of the Stock Exchange.

Save as disclosed below, the Company has complied with the code provisions of the CG Code for the year ended 31 December 2018 as set out in Appendix 14 to Listing Rules at that time except the following deviations from CG Code:

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.

Code A.6.7

Two independent non-executive Directors and three non-executive Directors were absent from the last annual general meeting of the Company held on 18 May 2018 as they were away from Hong Kong due to other important engagements at the time of this meeting. Three independent non-executive Directors and two non-executive Directors were absent from the last extraordinary general meeting of the Company held on 28 December 2018 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders.

Rule 3.10(1), Rule 3.21, Rule 3.25 and Code A.5.1

During the resignation of Mr. Guan Zhichuan and Dr. Lu Xiaoming and the appointment of Mr. Zou Zhendong from 18 May 2018 to 5 June 2018, the Company failed to meet (i) the requirement of the minimum number of three independent non-executive Directors under Rule 3.10(1) of the Listing Rules; (ii) the requirement of the minimum number of three members and the composition requirement of the audit committee under Rule 3.21 of the Listing Rules; (iii) the composition requirement of the remuneration committee under Rule 3.25 of the Listing Rules; and (iv) the composition requirement of the nomination committee under Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. With effect from 5 June 2018, Mr. Chen Weidong has been appointed as an independent non-executive Director and a member of each of the audit committee, the nomination committee, the remuneration committee and the compliance committee of the Company respectively pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. To ensure on-going compliance with the CG Code, the audit committee's terms of reference takes into account the Board's responsibility for reviewing the adequacy of staffing of the financial reporting functions, risk management and internal control systems, and the oversight role of the audit committee. The audit committee comprises a minimum of three members with independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny (being the chairman), Mr. Zou Zhendong and Mr. Chen Weidong, all of whom are independent non-executive Directors; and at least one member has the appropriate professional qualifications or accounting or related financial management expertise which is in compliance with Rule 3.10(2) of the Listing Rules. The Company considers these Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Throughout the Year, the audit committee held two meetings in considering and reviewing the interim and annual results of the Group, and discussing the audit plan and strategy complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee also met the external auditor twice without the presence of the executive Directors to discuss the audit plan and scoping and the identified significant risks and other areas of focus to be addressed by external auditor.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2018. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong and Mr. Chen Weidong.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (http://www.cmicholding.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2018 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

By Order of the Board
CMIC Ocean En-Tech Holding Co., Ltd.
Wang Hongyuan
Executive Chairman

Hong Kong, 28 March 2019

As of the date of this announcement, the Board comprises 3 executive Directors, namely Mr. Wang Hongyuan, Mr. Jiang Bing Hua and Mr. Zhang Menggui; 2 non-executive Directors, namely Mr. Wang Jianzhong and Mr. Lou Dongyang; and 3 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong and Mr. Chen Weidong.