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 2020

HIGHLIGHTS

- Revenue amounted to approximately US$65.1 million for the year ended 31 December 2020, representing a decrease of 7.3% as compared with 2019;
- Gross profit amounted to approximately US$11.2 million for the year ended 31 December 2020, representing a decrease of 53.3% as compared with 2019;
- Gross profit margin decreased from 34.2% for 2019 to 17.2% for 2020, representing a decrease of 17.0 percentage points as compared with 2019;
- Profit attributable to equity shareholders of the Company amounted to approximately US$10.9 million for the year ended 31 December 2020, representing an increase of 12.5% from US$9.7 million for 2019; and
- The Board does not recommend the payment of a dividend for 2020.

ANNUAL RESULTS

The board of the directors (the "**Board**") announces the consolidated results of CMIC Ocean En-Tech Holding Co., Ltd. (the "**Company**" or "**CMIC**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**Year**") together with the comparative figures for the year ended 31 December 2019 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2020

	Note	**2020** *US$'000*	2019 *US$'000*
Revenue	*3*	**65,144**	70,246
Cost of sales		**(53,910)**	(46,210)
Gross profit		**11,234**	24,036
Other revenue and net income	*4*	**6,658**	3,916
Reversal of provision for customer claims		**–**	3,030
Gain on settlement of trade payables by issue of new shares		**–**	3,281
Selling and distribution expenses		**(4,818)**	(4,981)
General and administrative expenses		**(21,705)**	(23,960)
Other operating expenses		**(4,122)**	(1,239)
(Impairment loss)/reversal of impairment losses on trade debtors and bill receivables, lease receivables and contract assets		**(4,272)**	4,177
Gain on settlement of sale and purchase contracts	*5(b)*	**26,332**	–
Profit from operations		**9,307**	8,260
Finance costs	*5(a)*	**(660)**	(1,727)
Share of profits of associates		**18**	36
Share of profit of joint venture		**1,216**	3,728
Profit before taxation		**9,881**	10,297
Income tax credit/(expenses)	*6(a)*	**949**	(979)
Profit for the year		**10,830**	9,318
Attributable to:			
Equity shareholders of the Company		**10,916**	9,701
Non-controlling interests		**(86)**	(383)
Profit for the year		**10,830**	9,318
Earnings per share	*8*		
Basic and diluted		**US0.36 cent**	US0.35 cent

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	US$'000	*US$'000*
Profit for the year	**10,830**	9,318
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – change in fair value during the year (non-recycling) (with nil tax effect)	**(93)**	(676)
– Share of other comprehensive income of joint venture (with nil tax effect)	**(3,003)**	(4,214)
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)*	**2,482**	479
Other comprehensive income for the year	**(614)**	(4,411)
Total comprehensive income for the year	**10,216**	4,907
Attributable to:		
Equity shareholders of the Company	**10,305**	5,294
Non-controlling interests	**(89)**	(387)
Total comprehensive income for the year	**10,216**	4,907

* Included exchange gain on translation of financial statements of associates of $21,000 (2019: loss of $3,000)

Consolidated Statement of Financial Position

At 31 December 2020

	Note	**2020**	2019
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**18,971**	42,989
Investment properties		**3,260**	3,265
Intangible assets		**228**	307
Interest in associates		**346**	307
Interest in joint venture	*9*	**40,727**	42,514
Other financial assets		**233**	326
Prepayments		**–**	60
Lease receivables		**6,329**	6,044
Deferred tax assets		**2,540**	1,775
		72,634	97,587
Current assets			
Inventories	*10*	**23,008**	149,028
Trade and other receivables	*11*	**57,617**	64,824
Contract assets		**324**	1,268
Amount due from a related company		**101**	101
Lease receivables		**25,591**	3,561
Tax recoverable		**435**	826
Pledged bank deposits and time deposits		**4,187**	1,051
Cash and cash equivalents		**22,424**	35,021
		133,687	255,680
Non-current assets classified as held for sale	*12*	**23,609**	2,911
		157,296	258,591

	Note	2020 US$'000	2019 US$'000
Current liabilities			
Trade and other payables	*13*	**57,989**	189,417
Contract liabilities		**8,667**	29,034
Bank loans		**–**	5,023
Lease liabilities		**23,390**	1,124
Tax payable		**3,376**	4,191
		93,422	228,789
Net current assets		**63,874**	29,802
Total assets less current liabilities		**136,508**	127,389
Non-current liabilities			
Bank loans		**–**	4,161
Lease liabilities		**1,224**	2,814
		1,224	6,975
NET ASSETS		**135,284**	120,414
CAPITAL AND RESERVES			
Share capital	*14*	**41,418**	39,191
Reserves		**94,188**	81,865
Total equity attributable to equity shareholders of the Company		**135,606**	121,056
Non-controlling interests		**(322)**	(642)
TOTAL EQUITY		**135,284**	120,414

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. The consolidated 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 values.

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

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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) 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, the provision of management, engineering services and leasing of drilling rigs.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020	2019
	US$'000	*US$'000*
Sales of capital equipment	**41,092**	39,296
Sales of expendables and supplies	**17,413**	28,873
Management and engineering service fee income	**4,476**	2,077
Gain on sub-leasing of drilling rigs classified as finance leases	**1,061**	–
Interest income from sub-leasing of drilling rigs classified as finance leases	**1,102**	–
	65,144	70,246

(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

– Management and engineering services *(note)*: the provision of management, engineering services and leasing of drilling rigs

Note: Since the year ended 31 December 2020, the Group has also provided services in connection with land and offshore rigs, including management and leasing of drilling rigs ("**management services**"). The most senior executive management considered these services are correlated to the provision of engineering services as they share the same pool of resources. As a result, the provision of management services was grouped together with the provision of engineering services to be an individual reportable segment since the year ended 31 December 2020.

(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 and joint venture, other financial assets, cash and cash equivalents, pledged bank deposits and time deposits, tax balances and other unallocated head office and corporate assets. Segment liabilities include trade and other payables, lease liabilities and provisions attributable to the activities of the individual segment, with the exception of bank loans, tax balances and other unallocated head office and corporate liabilities.

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

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

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment revenue), depreciation and amortisation, impairment losses and additions to property, plant and equipment 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 2020 and 2019 is set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Management and engineering services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**41,092**	39,296	**17,413**	28,873	**6,639**	2,077	**65,144**	70,246
Inter-segment revenue	**260**	428	**295**	2,011	**599**	851	**1,154**	3,290
Reportable segment revenue	**41,352**	39,724	**17,708**	30,884	**7,238**	2,928	**66,298**	73,536
Reportable segment results	**14,172**	8,233	**(5,083)**	2,574	**3,124**	(751)	**12,213**	10,056
Depreciation and amortisation for the year	**2,436**	3,563	**1,288**	1,755	**183**	12	**3,907**	5,330
Impairment losses on property, plant and equipment	**1,276**	–	**447**	–	**–**	–	**1,723**	–
Reportable segment assets	**72,130**	205,494	**57,064**	55,965	**28,836**	3,896	**158,030**	265,355
Additions to property, plant and equipment during the year	**1,040**	1,277	**78**	3	**857**	–	**1,975**	1,280
Reportable segment liabilities	**(32,663)**	(195,553)	**(28,558)**	(16,359)	**(27,191)**	(1,522)	**(88,412)**	(213,434)

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

	2020	2019
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**66,298**	73,536
Elimination of inter-segment revenue	**(1,154)**	(3,290)
Consolidated revenue *(note 3(a))*	**65,144**	70,246
Results		
Segment results	**12,213**	10,056
Finance costs	**(660)**	(1,727)
Share of profits of associates	**18**	36
Share of profit of joint venture	**1,216**	3,728
Unallocated head office and corporate income and expenses	**(2,906)**	(1,796)
Consolidated profit before taxation	**9,881**	10,297
Assets		
Reportable segment assets	**158,030**	265,355
Interest in associates	**346**	307
Interest in joint venture	**40,727**	42,514
Other financial assets	**233**	326
Cash and cash equivalents	**22,424**	35,021
Pledged bank deposits and time deposits	**4,187**	1,051
Deferred tax assets	**2,540**	1,755
Tax recoverable	**435**	826
Unallocated head office and corporate assets	**1,008**	9,023
Consolidated total assets	**229,930**	356,178
Liabilities		
Reportable segment liabilities	**(88,412)**	(213,434)
Bank loans	**–**	(9,184)
Tax payable	**(3,376)**	(4,191)
Unallocated head office and corporate liabilities	**(2,858)**	(8,955)
Consolidated total liabilities	**(94,646)**	(235,764)

(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, intangible assets, interest in associates, interest in joint venture, other financial asset and non-current portion of prepayments ("**specified non-current assets**"). The geographical location of customers is based on the location of the customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, 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 and joint venture, other financial assets and non-current portion of prepayments.

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**21**	–	**756**	880
Mainland China	**33,596**	40,615	**20,106**	45,285
North America	**5,240**	9,562	**1,316**	1,044
South America	**19,036**	10,614	**24**	28
Europe	**842**	4,622	**144**	–
Singapore	**2,609**	559	**692**	2
Indonesia	**629**	554	**–**	–
Middle East	**1,206**	–	**40,727**	42,514
Others	**1,965**	3,720	**–**	15
	65,144	70,246	**63,765**	89,768

4 OTHER REVENUE AND NET INCOME

	2020	2019
	US$'000	*US$'000*
Interest income	**1,034**	1,186
Finance income from lease receivables	**562**	449
Rental income	**1,629**	1,004
Net foreign exchange gain/(loss)	**1,632**	(1,287)
Reversal of provision for estimated loss of incomplete construction contract *(note 5(c))*	**–**	1,602
Government grant	**1,604**	633
Others	**197**	329
	6,658	3,916

5 PROFIT BEFORE TAXATION

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

		2020	2019
		US$'000	*US$'000*
(a)	**Finance costs**		
	Interest on bank loans	**171**	1,509
	Interest on lease liabilities	**1,554**	218
		1,725	1,727
	Less: Interest on lease liabilities relating to sub-leasing of drilling rigs included in costs of sales	**(1,065)**	–
		660	1,727

(b) Gain on settlement of sale and purchase contracts

Pursuant to the deed of settlement dated 31 August 2020 entered into by the Group and an external third party, both parties agreed to rescind certain sale and purchase contracts, in which the Group is required to pay cash settlement of $6,226,000 by monthly instalments from September 2020 to August 2023 and issue 174,394,797 new shares of the Company. The shares of the Company were issued on 22 September 2020.

Upon the settlement of such contracts, the Group wrote off or made provisions on all assets and liabilities relating to these sale and purchase contracts including a drilling rig under construction with carrying amount of $120,000,000 and contract liabilities of $12,830,000. In addition, the Group also made accruals of $2,261,000 in respect of obligations specified in the deed of settlement. As a result, a gain of $26,332,000, which represented the net of (i) reversal of net liabilities; (ii) recognition of accruals for obligations arising from the deed of settlement; and (iii) aggregate settlement consideration of $12,349,000, was recognised during the year ended 31 December 2020.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	US$'000	*US$'000*
Current tax		
Provision for the year		
− The People's Republic of China (the "**PRC**") enterprise income tax	**136**	253
− Overseas corporation income tax	**525**	289
	661	542
Over-provision in respect of prior years	**(993)**	(211)
	(332)	331
Deferred tax		
Origination of temporary differences	**(617)**	648
	(949)	979

No provision for Hong Kong Profits Tax has been made in the consolidated 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 current and prior years.

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% (2019: 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 2020 (2019: US$Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $10,916,000 (2019: $9,701,000) and the weighted average number of 3,056,855,000 (2019: 2,802,656,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
	'000	*'000*
Issued ordinary shares at 1 January	**3,069,039**	1,473,156
Effect of purchase of shares held for share award scheme	**(60,309)**	(20,216)
Effect of issue of new shares	**48,125**	1,349,716
Weighted average number of ordinary shares at 31 December	**3,056,855**	2,802,656

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2020 and 2019 because there were no potential dilutive ordinary shares outstanding.

9 INTEREST IN JOINT VENTURE

	2020	2019
	US$'000	*US$'000*
Share of net assets	**40,727**	42,514
Amount due from joint venture (included in trade and other receivables)	**195**	–
Amount due to joint venture (included in trade and other payables)	**–**	(6,000)

(a) Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest		
Name of joint venture	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by a subsidiary**	**Principal activity**
Wealthy Marvel Enterprises Limited	Incorporated	The British Virgin Islands	$100,000,000	50%	50%	Leasing and trading of jack-up drilling rigs

Wealthy Marvel Enterprises Limited is a joint venture of the Group with its controlling shareholder, and the only joint venture in which the Group participates. It is an unlisted corporate entity whose quoted market price is not available.

The amount due from/(to) joint venture was unsecured, interest-free and recoverable/repayable on demand.

10 INVENTORIES

	2020	2019
	US$'000	*US$'000*
Raw materials	**4,803**	4,678
Work in progress	**13,528**	126,598
Finished goods	**4,677**	17,752
	23,008	149,028

11 TRADE AND OTHER RECEIVABLES

	2020	2019
	US$'000	*US$'000*
Trade debtors and bills receivables	**112,521**	103,986
Less: loss allowance	**(65,317)**	(61,032)
	47,204	42,954
Other receivables, prepayments and deposits	**10,163**	15,517
Amount due from joint venture	**195**	–
Amount due from associate	**55**	–
Notes receivables carried at amortised cost and related interest receivables	**–**	6,413
	57,617	64,884
Less: Non-current portion of prepayments	**–**	(60)
	57,617	64,824

All of the trade debtors and bills receivables from contracts with customers are within the scope of HKFRS 15.

Notes receivables as at 31 December 2019 were interests-bearing at 5.3% per annum. The notes were redeemed by the issuer in June 2020.

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:

	2020	2019
	US$'000	*US$'000*
Current	**15,379**	15,093
Less than 1 month past due	**2,863**	4,889
More than 1 month but within 3 months past due	**3,627**	3,085
More than 3 months but within 12 months past due	**13,073**	7,700
More than 12 months but within 24 months past due	**2,707**	1,032
More than 24 months past due	**9,555**	11,155
Amounts past due	**31,825**	27,861
	47,204	42,954

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 management and engineering services are normally 30 to 90 days. The credit terms offered to customers of capital equipment and packages are negotiated on a case-by-case basis. Deposits ranging from 10% to 30% of the contract sum are usually required. The balance of 60% to 85% would be payable 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.

12 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, the Group committed to a plan to sell certain ownership interests in leasehold land held for own use in Qingdao, the PRC, within the capital equipment and packages and oilfield expendables and supplies segments. These assets amounting to $2,911,000 remained undisposed as at 31 December 2019.

During the year ended 31 December 2020, the Group entered into land disposal agreements with a third party. Pursuant to the agreements, the Group would dispose of certain land and buildings situated in Qingdao, the PRC, and related machinery, including the ownership interests in leasehold land held for own use mentioned in the preceding paragraph, at an aggregate consideration of RMB245,000,000 (equivalent to $37,485,000). As a result, such land and buildings and machinery (excluding those non-current assets classified as held for sale as at 31 December 2019) with aggregate carrying amount of $19,435,000 was transferred to non-current assets classified as held for sale as at 31 December 2020.

As at 31 December 2020, the aggregate carrying amount of all land and buildings and related plant and machinery and office equipment, furniture and fixtures to be disposed was $23,609,000.

The proposed disposal transaction was subsequently completed in February 2021.

13 TRADE AND OTHER PAYABLES

	2020	2019
	US$'000	*US$'000*
Trade creditors and bills payables	**32,712**	175,093
Other payables and accrued charges	**19,524**	8,324
Receipts in advance	**5,623**	–
Amount due to joint venture *(note 9)*	**–**	6,000
Amount due to associate	**130**	–
	57,989	189,417

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:

	2020	2019
	US$'000	*US$'000*
Within 1 month	**14,363**	160,767
More than 1 month but within 3 months	**2,684**	3,745
More than 3 months but within 12 months	**6,806**	4,742
More than 12 months but within 24 months	**2,528**	2,615
More than 24 months	**6,331**	3,224
	32,712	175,093

14 SHARE CAPITAL

In September 2020, the Group allotted and issued 174,394,797 shares as part of settlement consideration in respect of certain incomplete sale and purchase contracts (see note 5(b)).

MANAGEMENT DISCUSSION AND ANALYSIS

CMIC IS AN INDUSTRIAL CHAIN VALUE INTEGRATION OPERATOR IN MARINE ENERGY TECHNOLOGY SECTOR

OVERVIEW

At the beginning of 2020, COVID-19 broke out globally, which caused stagnation of global economic activities as well as slowdown and even downturn of economic growth. During the same period, the tensions among major oil exporting countries intensified and crude oil prices fluctuated sharply and the global stock market experienced volatility and adjustment.

In the face of the severe pandemic, the Company responded proactively, maintained a high degree of vigilance, and actively implemented pandemic prevention measures. As a result, there were no transmissions of the disease among employees. Meanwhile, the Company held onto its business objectives, all units of the Company strengthened risk awareness, established risk contingency plans and adjusted business strategies in a timely manner. Through strict control of costs and expenses and strengthened capital management, the cash flow was improved and certain positive results were achieved.

The offshore management business developed steadily and achieved favourable results. The Company won the contract for the offshore drilling rig service project of PEMEX, the national oil company of Mexico, in September 2019. According to the contract, the Group provided PEMEX with two JU2000 jack-up drilling rigs, which arrived Mexico in December 2019 and commenced drilling operations in April and May 2020, respectively. Two units of CJ46 jack-up rigs of the joint venture, Wealthy Marvel Enterprises Limited ("**WME**") served Abu Dhabi National Oil Company throughout the year. The four rigs are currently operating in good conditions and are well received by customers. The offshore management business provided the Company with continuous and stable cash flow.

In respect of offshore core equipment manufacturing, the products of the Company successfully entered the field of offshore wind power. The Company successfully won orders for several sets of jacking systems for offshore wind power installation vessels. The product jacking systems have been recognized by the offshore wind power installation industry, and created a new growth driver for the results of the Company.

In 2020, substantive progress was made in terms of the Company's historical debts. The Company and CSSC Huangpu Wenchong Shipbuilding Company Limited ("**Huangpu Shipbuilding**") signed a global settlement deed in respect of the H6001 and H6006 projects at the end of August 2020, which completely solved the remaining problems in relation to the rig construction contracts between the Company and Huangpu Shipbuilding and greatly improved the Company's asset-liability structure. Huangpu Shipbuilding became the Company's fourth largest strategic shareholder through partial capitalisation arrangements, which is conducive to the future new business expansion and further strategic transformation and development.

At the end of October 2020, the Company and Qingdao Anshun Jiahe Assets Operations Co., Ltd. entered into an agreement in relation to disposal of the land and properties at the offshore engineering base in Qingdao and the transaction was completed on 18 February 2021. The Company completed the disposal of the idle plants and land of approximately 150 acres of its Qingdao branch in February 2021, which cleared the Company's inefficient assets, improved the Company's asset-liability structure and increased the Company's operating cash flow, laying a foundation for the Company's future asset-light operations.

In 2020, the Company continued to optimize and adjust its internal structure and formed a strategic framework based on two major regions namely, the PRC region and the international region, and the three major business segments of high-end oil and gas and offshore engineering equipment manufacturing, operation and maintenance and supply chain services, and offshore management.

In 2020, under the leadership of the Company's core management team, the annual sales revenue and the net profit attributable to equity shareholders of Company amounted to approximately US$65.1 million and US$10.9 million, representing a year-on-year decrease of 7.3% and increase of 12.5%, respectively.

FINANCIAL REVIEW

	2020	2019	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**65,144**	70,246	(5,102)	(7.3)
Gross profit	**11,234**	24,036	(12,802)	(53.3)
Gross profit margin	**17.2%**	34.2%		
Profit from operations	**9,307**	8,260	1,047	12.7
Net profit attributable to equity shareholders	**10,916**	9,701	1,215	12.5
Net profit margin	**16.8%**	13.8%		
Earnings per share (Basic and diluted)	**US0.36 cent**	US0.35 cent	US0.01 cent	2.9

Revenue

The Group's revenue slightly decreased from US$70.2 million in 2019 to US$65.1 million in 2020. The decrease of revenue was mainly due to the drop in orders from customers under impact of COVID-19 pandemic around the world and declines in oil prices.

Segment Information by Business Segments

	2020		2019		Increase/(decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Capital equipment and packages	**41,092**	**63.1**	39,296	55.9	1,796	4.6
Oilfield expendables and supplies	**17,413**	**26.7**	28,873	41.1	(11,460)	(39.7)
Management and engineering services	**6,639**	**10.2**	2,077	3.0	4,562	219.6
Total revenue	**65,144**	**100.0**	70,246	100.0	(5,102)	(7.3)

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects increased by 4.6% from US$39.3 million in 2019 to US$41.1 million in 2020 due to increase in sales in China market.

Oilfield Expendables and Supplies

The decrease of 39.7% from US$28.9 million in 2019 to US$17.4 million in 2020 for oilfield expendables and supplies was due to shrink in orders of oilfield expendables and supplies in North America market under impact of COVID-19 pandemic and declines in oil prices.

Management and Engineering Services

Management and engineering services revenue increased from US$2.1 million in 2019 to US$6.6 million in 2020 mainly due to the increase in management fee for lease of offshore rigs.

Segment Information by Geographical Regions

	2020		2019		Increase/(decrease)	
	US$'000	%	*US$'000*	%	*US$'000*	%
Hong Kong Special Administrative Region	**21**	**–**	–	–	21	N/A
Mainland China	**33,596**	**51.6**	40,615	57.8	(7,019)	(17.3)
North America	**5,240**	**8.0**	9,562	13.6	(4,322)	(45.2)
South America	**19,036**	**29.2**	10,614	15.1	8,422	79.3
Europe	**842**	**1.3**	4,622	6.6	(3,780)	(81.8)
Singapore	**2,609**	**4.0**	559	0.8	2,050	366.7
Indonesia	**629**	**1.0**	554	0.8	75	13.5
Middle East	**1,206**	**1.9**	–	–	1,206	N/A
Others	**1,965**	**3.0**	3,720	5.3	(1,755)	(47.2)
Total revenue	**65,144**	**100.0**	70,246	100.0	(5,102)	(7.3)

Gross Profit and Gross Profit Margin

The gross profit of US$11.2 million for the year of 2020 decreased by 53.3% from US$24.0 million in the previous year. Gross profit margin decreased from 34.2% in 2019 to 17.2% in 2020. The decrease was mainly due to substantial provisions for inventories was made by the Company in view of the changes in market demands.

Other Revenue and Net Income

Other revenue and net income increased from US$3.9 million in 2019 to US$6.7 million in 2020. This amount includes rental income, interest of finance lease and various government grants for COVID-19 pandemic.

Selling and Distribution Expenses

Selling and distribution expenses decreased by US$0.2 million from US$5.0 million in 2019 to US$4.8 million in 2020. Selling and distribution expenses mainly comprised of sales staff salaries, commissions, marketing expenses including travel costs and other sales and promotional expenditure. The decrease of selling and distribution expenses was resulted of persistent cost control.

General and Administrative Expenses

General and administrative expenses decreased from US$24.0 million in 2019 to US$21.7 million in 2020. The decrease was mainly due to staff streamlining and decrease in business activities.

Other Operating Expenses

The increase in other operating expenses from US$1.2 million in 2019 to US$4.1 million in 2020 was mainly due to provisions for impairment loss of property, plant and equipment amounting to US$1.7 million.

Finance Costs

Finance costs, being interest on bank loans and interest on lease liabilities, amounted to approximately US$0.7 million in 2020. The Group repaid all bank loans in 2020 and reduced interest cost by US$1.3 million from US$1.5 million in 2019 to US$0.2 million in 2020.

Share of Profit of Joint Venture

Share of profit of joint venture decreased by US$2.5 million from US$3.7 million in 2019 to US$1.2 million in 2020. The absence of one-time gain from selling of drilling rigs in 2019 contributed to the decrease in share of profit of joint venture in 2020.

Group's Liquidity and Capital Resources

As at 31 December 2020, the Group carried tangible assets of approximately US$45.8 million (2019: US$49.2 million) being property, plant and equipment, investment properties and non-current assets classified as held for sale.

As at 31 December 2020, the Group's intangible assets was approximately US$0.2 million (2019: US$0.3 million). The reduction in intangible assets was due to amortisation charge for the year. As at 31 December 2020, the Group's interest in associates was approximately US$0.3 million (2019: US$0.3 million), interest in joint venture was approximately US$40.7 million (2019: US$42.5 million) and deferred tax assets was approximately US$2.5 million (2019: US$1.8 million).

As at 31 December 2020, the Group's current assets amounted to approximately US$157.3 million (2019: US$258.6 million). Current assets mainly comprised of inventories of approximately US$23.0 million (2019: US$149.0 million), trade and other receivables of approximately US$57.6 million (2019: US$64.8 million), contract assets of approximately US$0.3 million (2019: US$1.3 million) and lease receivables (current) of approximately US$25.6 million (2019: US$3.6 million).

As at 31 December 2020, amount due from a related company amounted to approximately US$0.1 million (2019: US$0.1 million), pledged bank deposits and time deposits amounted to approximately US$4.2 million (2019: US$1.1 million) and cash and cash equivalents amounted to approximately US$22.4 million (2019: US$35.0 million).

As at 31 December 2020, current liabilities amounted to approximately US$93.4 million (2019: US$228.8 million), mainly comprised of trade and other payables of approximately US$58.0 million (2019: US$189.4 million), bank loans of approximately US$Nil (2019: US$5.0 million), and current tax payable of approximately US$3.3 million (2019: US$4.2 million). Bank loans was fully repaid in 2020. Contract liabilities amounted to US$8.7 million (2019: US$29.0 million) and current lease liabilities amounted to approximately US$23.4 million (2019: US$1.1 million).

As at 31 December 2020, the Group had non-current liabilities of approximately US$1.2 million (2019: US$7.0 million), which comprised of bank loans of US$NIL (2019: US$4.2 million) and lease liabilities of approximately US$1.2 million (2019: US$2.8 million). The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the gearing ratio, being the Group's total liabilities to total assets, under 100%. The gearing ratio as at 31 December 2020 was 41.2% (2019: 66.2%).

Significant Investment and Disposals

On 29 October 2020, amongst others, Qingdao TSC Oil & Gas Technology Services Co., Ltd. (an indirect wholly-owned subsidiary of the Company) as vendor, and Qingdao Anshun Jiahe Assets Operations Co., Ltd. as purchaser, entered into a land disposal agreement for the land parcel situated at No.10, Hedong Road, Liuting Street, Chengyang District, Qingdao for the aggregate consideration of RMB157.2 million; and Qingdao TSC Jindi Technology Assets Co., Ltd. (an indirect wholly-owned subsidiary of the Company) as vendor, and Qingdao Chuang'an Assets Operations Co., Ltd. as purchaser, entered into a land disposal agreement for the land parcel situated at No.10–1, Hedong Road, Liuting Street, Chengyang District, Qingdao for the aggregate consideration of RMB87.8 million. At the extraordinary general meeting of the Company held on 15 December 2020, the land disposal agreements and the land disposals were approved by the shareholders. Details of the transactions are contained in the circular of the Company dated 24 November 2020.

Capital Structure

At 31 December 2020, there were 3,243,433,914 shares issued and the Company carried a share capital of approximately US$41,418,000. On 22 September 2020, the Company entered into the Deed of Settlement with the creditors, pursuant to which the Company issued 174,394,797 settlement shares.

Charges on Assets

The Group has no bank borrowings as at 31 December 2020. To secure the loans from banks as at 31 December 2019, the Group had charged certain assets to banks. Details are set out as follows:

(i) Land and buildings and plant and machinery with aggregate net book value of US$18.9 million.

(ii) Corporate guarantee given by the Company to the extent of banking facilities outstanding of US$2.2 million.

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 2020 and 31 December 2019, 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.

Staff Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 378 full-time staff in the United States, the United Kingdom, Brazil, Mexico, United Arab Emirates, Singapore, Hong Kong and Mainland China. The Group's remuneration policy is basically determined by the performance of individual employees and the market conditions. The Group also provides other benefits to its employees, including medical schemes, pension contributions, share award incentive scheme etc.

USE OF PROCEEDS

The proceeds from the rights issue amounted to HK$657.3 million. Such proceeds have been used for the intended uses as set out in the circular of the Company dated 11 January 2019. The unutilised proceeds have been deposited into the licensed banks in Hong Kong as interest-bearing deposits.

As at 31 December 2020, the use of proceeds from the rights issue is as follows:

	Amount for intended use *(HK$ million)*	Utilised amount *(HK$ million)*	Unutilised amount *(HK$ million)*
Subscription of shares of joint venture or other investments	**460.1**	**422.3**	**37.8**
Repayment of debts of the Group	**131.5**	**131.5**	**–**
General working capital of the Group	**65.7**	**65.7**	**–**
Total	**657.3**	**619.5**	**37.8**

STRATEGY AND PROSPECTS

Market Review

Since the beginning of 2020, the global outbreak of COVID-19 pandemic severely damaged the global supply chain and industrial chain. However, unlike previous financial crises, the social isolation and interruption of economic activities brought about by the pandemic caused a decline in both the supply side and the demand side. The decline in the demand side was more serious, and eventually led to the transmission of the crisis of real economy to the financial market. The restoration and recovery of the economies of each country will still take some time.

The oil market is gradually stabilized after experiencing the turbulence in the first half of 2020. As affected by the control measures at the beginning of the year, oil consumption maintained at a low level in the short term and then gradually rose. At the end of 2020, the price of Brent crude was approximately US$51.8 per barrel, with an average for the year amounting to approximately US$43.2 per barrel, representing a decrease of approximately 32.7% as compared to 2019. In the established policy scenario reported by the IEA, in 2030, oil demand will decrease by 2 million barrels per day from last year's forecast and by 6 million barrels per day in the delayed recovery scenario. In the 2030s, oil consumption will stabilize under both scenarios. The investment budget for new oil and gas supply were cut down in 2020. Compared with 2019, the investment in oil and natural gas supply dropped by an average of one third. In 2019, the number of approved new liquefied natural gas (LNG) liquefaction plants hit a record high.

In terms of the offshore drilling market, the utilisation rate of jack-up drilling rigs maintained a steady upward trend in 2017, 2018 and 2019 after it hit the lowest level for the past decade in 2016 and reached 66%, 69% and 77% at the end of 2017, 2018 and 2019, respectively. The recovery for three consecutive years was interrupted by COVID-19 pandemic in early 2020, and the utilisation rate began to decline since May 2020. In May 2020, the utilisation rate was 74%, representing a drop of 3 percentage points from April. However, the utilisation rate maintained at 72% to 73% for the five months from June to November 2020. The jack-up drilling rigs were less affected by the pandemic than deep-water rigs. Based on the recovery of price of crude oil and global economy, the utilisation rate of jack-up rigs is expected to continue to stabilise.

After the rig utilisation rate bottomed out in 2016, the daily rate of global jack-up drilling rigs also began to stabilise in 2017 and 2018. The average daily rate of high-spec jack-up drilling rigs in 2017 and 2018 were US$103,100 and US$99,700, respectively, representing a year-on-year change of 11% and -3%, respectively. The average daily rates of standard jack-up drilling rigs in 2017 and 2018 were US$54,000 and US$50,000 respectively, with year-on-year change of -5% and -8%, respectively. By the end of 2019, the daily rates of high-spec jack-up drilling rigs and standard jack-up drilling rigs were US$117,000 and US$63,000, respectively, representing a year-on-year increase of 19% and 25%, respectively. The industry's recovery trend in 2019 was very obvious. However, the daily rate began to decline in March 2020, and went down all the way for 5 consecutive months from March to July. But, the daily rate remained at the level of July for 4 consecutive months from August to November which showed a stabilizing situation.

The net increase in jack-up rigs in 2020 reduced significantly compared to the previous year, and the supply and demand situation further improved. In 2019, 24 jack-up drilling rigs were delivered globally and 20 were dismantled. Therefore, there was a net increase of 4 rigs in 2019. The number of rigs delivered throughout 2020 reduced significantly as compared to 2019, with only 8 rigs delivered. In 2020, 16 jack-up drilling rigs were dismantled, and the number of dismantled rigs far exceeded the number of delivered ones, resulting in a net decrease of 8 rigs in 2020. Therefore, the supply and demand of rigs is expected to further improve.

The Middle East, Asia Pacific region and Gulf of Mexico are the most active areas in the world for the use of jack-up rigs. The utilisation rate and the number of rigs in operation in those regions are much higher than those in other regions. According to the 2020 statistics of CLARKSONS, the hotspots of major demand for global shallow water jack-up rigs concentrated in the Middle East, Asia Pacific region, West Africa and Gulf of Mexico. In 2020, the largest demand for jack-up rigs came from the Middle East, in which there were 122 rigs in operation with a utilisation rate of 84%. The Middle East ranked first in the world in number of rigs in operation, with China in second with 57 rigs in operation and a utilisation rate of 86%, representing an increase over the last year.

Historical Statistics for Demand, Supply and Utilisation Rate of Global Jack-up Rigs

	Historical Statistics for Demand, Supply and Utilisation Rate of Global Jack-up Rigs						Forecast
	2015	2016	2017	2018	2019	**2020**	2021
Demand	348	305	316	325	375	**345**	360
Growth-y-o-y/y-t-d	-19%	-12%	4%	4%	15%	**-7%**	4%
Active Supply	469	474	479	473	484	**474**	476
Growth-y-o-y/y-t-d	-5%	1%	1%	0%	2%	**-1%**	0%
Utilisation Rate	74%	64%	66%	69%	77%	**73%**	76%

Source: Clarksons

The Number of Jack-up Rigs in Operation and Utilisation Rate of Rigs in Different Regions of the World

The global jack-up rig fleet is aging as a whole and there is a strong demand for the upgrade. In the global jack-up rig fleet, 76% of the jack-up rigs which are less than 300 feet are over 20 years old and now close to the limit of use. Therefore, the demand for the upgrade is strong. Only 15% of jack-up rigs which are larger than 300 feet are over two decades old and are the main force of the current jack-up rig fleet. As the rigs built during the construction peak period of jack-up rigs in the 1980s approach the end of their life, the renewal and disposal of old and over-aged rigs will accelerate, which will further increase the current utilisation rate and profitability of jack-up rigs.

The land rig market experienced the same downturn cycle as the offshore engineering market. From the end of 2014 to the middle of 2016, the land drilling rigs in operation in the United States dropped sharply, from 1,900 to 379. By the end of 2019, the number of land drilling rigs in operation in the United States had recovered to 805. Affected by the pandemic in 2020, the number of land drilling rigs in operation dropped to 254 at the end of August 2020, the lowest level in history since 1975. At the end of December 2020, the number of land drilling rigs in the United States recovered to 407.

Domestic onshore oil and gas exploration has been relatively prosperous for the past two years. From the perspective of safeguarding national energy security, the government has required greater exploration and development efforts. In response to the current situation of resources, PetroChina, Sinopec and CNOOC have formulated a "Seven-Year Action Plan" with the goal of increasing annual output. In light of the current downturn in the oil and gas industry, national policy support has strengthened the belief in the long-term development of the domestic oil and gas industry and clarified the direction of development. Increasing efforts for oil and gas exploration and development will continue to be the main axis in the long-term. The coming years will remain the key period for China's "oil battle".

From the perspective of global energy supply and demand, although the impact of the pandemic has led to the tightening of capital expenditures in the short term, in order to maintain a balance between oil exploration and production, there will continue to be certain room for increase in future capital expenditures on oil exploration. Based on historical experience, the more the impact of the pandemic restrains capital expenditures on upstream exploration, the faster the "rebound" growth rate will be when oil demand recovers, and the upstream exploration and drilling operations will be the first to recover.

Renewable energy sources will replace coal as the main power generation method in 2025. In 2030, the total share of solar photovoltaic and wind energy in global power generation will rise to nearly 30% from 8% in 2019. In the next ten years, the construction of global power plants will gradually decrease its dependence on coal. The proportion of coal in the global power generation structure will drop from 37% in 2019 to 28% in 2030. By 2030, hydropower, wind power, photovoltaic power, biomass, geothermal power and ocean energy will provide nearly 40% of the power supply.

According to the report issued by the Global Wind Energy Council, the newly installed capacity of global offshore wind power reached 6.5GW in 2020. It is estimated that, by 2024, the global newly installed capacity of offshore wind power will exceed 48GW. The Rystad Energy Report also revealed that in 2020, many countries in the world established "green energy transition" as the focus of future economic development, which has led to a sudden increase in the number of offshore wind power projects under construction and to be constructed, and the offshore wind power construction vessel market may be unable to cope for a short period of time. According to data, as at the end of 2020, the lease price of offshore wind power construction vessels in Europe reached hundreds of thousands of Euros per day and showed an upward trend. In China, as the wind power industry is in a period of "rush for installation", many industry professionals have expressed that the current supply of offshore wind power construction vessels is in shortage, and the price remains high.

According to the statistics of China National Energy Administration, from January to November 2020, China's newly installed capacity of wind power was 24.62GW. It is estimated that the newly installed capacity of wind power in the last month of 2020 will be at least 20GW, and the newly installed capacity for the whole year may increase by about 80% year-on-year. In order to achieve the "3060" carbon targets, the wind power industry estimates that during the "14th Five-Year Plan" period, China's annual average newly installed capacity of wind power must be guaranteed to be more than 50 million kilowatts, and the average annual newly installed capacity after 2025 shall not be less than 60 million kilowatts. It will reach at least 800 million kilowatts by 2030 and at least 3 billion kilowatts by 2060.

After more than ten years of development, China has gradually accumulated and improved experience in exploration and design, equipment research, development and manufacturing, and engineering construction and operation in offshore wind power, and the cost is gradually falling. In the future, offshore wind power will experience a stage of pure market competition.

Strategy and Prospects

In 2021, the Company will continue to adhere to the development concept of "Offshore as the base, Energy as the accelerator, Technology as the incubator, Capital as the value driver and Globalisation as the foundation" and implement the development strategies in the following aspects.

In respect of the offshore management business, the offshore management business of the Company developed smoothly in 2020. The Company established a high-quality management team and an offshore management system. The leases of the 4 drilling rigs under the management of the Company were successfully fulfilled, and the services were recognized and praised by customers. In 2021, the Company will continue to seek opportunities to integrate the performing assets of offshore engineering and further expand and develop the offshore light management business. For global hot markets, in addition to jack-up rig assets, the Company will proactively seek other offshore engineering assets to strengthen the development of an asset-light management business.

In terms of high-end oil and gas and offshore engineering equipment manufacturing, as the oil and gas drilling market in China has continued to grow, the Company will continue to strengthen sales in the Chinese market. For equipment sales, the Company will continue to proactively try new business models, such as a new sales model that combines core equipment including drilling equipment, power control equipment, lifting equipment and cranes with financial leasing.

In terms of operation and maintenance and supply chain services, in the face of the decrease in the number of drilling rigs in North America, the resource input to drilling accessories and consumption parts sales in this market was reduced appropriately.

At present, under the active promotion by various governments and relevant institutions, the development momentum of offshore wind power in Europe has not diminished. China's policy of "carbon neutrality, new infrastructure, and double loops" is driving the construction of offshore wind power in full swing, and more countries have begun to pay attention to and develop offshore wind power. The offshore wind power industry is gradually going global. Along with the growth trend of the global offshore wind power market, the Company will leverage its accumulated experience in technology, construction, operation and maintenance services, and market expansion in the traditional offshore engineering industry to proactively develop core equipment for the offshore wind power industry, such as jacking systems, large pile winding cranes, electrical control system, etc. Based on the life cycle of offshore wind power, the offshore wind power installation and operation and maintenance market is currently in the stage of high demand, high profit, high threshold, and focus on technology. For companies in the transition period, they can only obtain high rental return in a faster way through seizing the window period to occupy market share as soon as possible.

As to key regional markets, in 2021, the Company will continue to focus on oil and gas and offshore engineering hotspots, such as Mexico, the North Sea, the Middle East, West Africa, Brazil, North America and China. Mexico is currently a hotspot area for global offshore engineering and has a strong demand for drilling rigs. In 2020, the two jack-up drilling rigs provided by the Company to PEMEX, the national oil company of Mexico, were operated successfully and were well received by the owners. There is an opportunity to extend the lease term. The Company will continue to tap deeper into the resources in the Mexican market and leverage on the resource advantages accumulated over many years of development to drive the sustainable development of business orders. In 2021, the Company will continue to attach importance to the Chinese market. In terms of the supply of core oil and gas drilling and production equipment, operation and maintenance accessories and consumables, and the supply of core equipment for offshore wind power, the Company will increase resource investment and sales efforts to achieve performance growth.

For internal standard management, the Company will continue to strengthen and standardize the management process, further control costs and reduce expenses, and improve the distribution and incentive system in line with the Company's development, to maximize the enthusiasm of managers and employee in 2021.

In 2021, the Company will continue to strengthen coordination with strategic shareholders and business partners including CM Group, CIMC Group, Minsheng Trust, CSSC, Shelf Drilling, etc., and seek collaborative development opportunities in terms of rig asset disposal, rig asset leasing lease and sales, business development in wind power market, equipment sales, project financing, etc.

In 2021, the Company will continue to strengthen and standardise the management process, further implement measures to improve quality and efficiency to further control costs and reduce expenses, and formulate an incentive system in line with the short, medium, and long-term development of the Company to stimulate the enthusiasm of directors, management, employees and strategic stakeholders to the greatest extent.

PLANS FOR MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

In 2020, the Company and Huangpu Shipbuilding signed a global settlement deed in respect of the H6001/H6006 projects, and completed the disposal of idle plants and land of 150 Mu at the offshore engineering base in Qingdao. Both incidents greatly improved the Company's asset-liability structure. The Company will continue to seek potential resource integration and investment opportunities in the ocean, energy and technology industry chain.

In terms of investment direction, the Company will focus on opportunities of investment in high-tech and digital applications including design, manufacturing, and research and development of high-end offshore equipment. Based on the existing offshore management business, the Company will also seek potential opportunities to expand offshore management business projects and proactively seek opportunities for investment and integration in relation to equipment, operation and maintenance services in the offshore wind power industry.

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

RESIGNATION AND APPOINTMENT OF THE CHAIRMAN AND CEO

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

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

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

RESIGNATION AND APPOINTMENT OF EXECUTIVE DIRECTORS

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

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

CHANGE OF BOARD COMMITTEES MEMBERS

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

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

SHARE AWARD PLAN

The Company adopted a share award plan ("**Share Award Plan 1**") on 16 January 2015 (the "**Adoption Date**"). The Share Award Plan 1 does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is operated at the discretion of the Company. The purpose of the Share Award Plan 1 is to recognise the contributions of officers and employees of the Group (the "**Eligible Persons**"), excluding any director of the Company ("**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 that may be purchased under the Share Award Plan 1 shall not exceed 3% of the issued Shares (i.e. 21,147,456 Shares) at the Adoption Date. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee. Pursuant to the Share Award Plan 1, the trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan 1 will be held 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 1. The Share Award Plan 1 will be effective for a period until 15 January 2025 unless terminated at the discretion of the Board at an earlier date.

During the year ended 31 December 2020 and as of the date of this announcement, the trustee did not purchase any Shares on the Stock Exchange pursuant to the Share Award Plan 1 and no grant was made. At the date of this announcement, there were 21,147,456 Shares (representing approximately 0.7% of the issued share capital of the Company) held by the trustee.

The Company adopted a new share award plan ("**Share Award Plan 2**") on 31 October 2019 (the "**Adoption Date**"). The Share Award Plan 2 does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is at the discretion of the Company. The purpose of the Share Award Plan 2 is to recognise the contributions of officers, Directors and any other connected persons or consultants of the Group (the "**Eligible Persons**") 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 that may be purchased under the Share Award Plan 2 shall not exceed 3% of the issued Shares (i.e. 92,071,174 Shares) at the Adoption Date. A trust has been set up and Treasure Maker Investments Limited has been appointed as the trustee. Pursuant to the Share Award Plan 2, the trustee may purchase Shares from the public market out of cash contributed by the Company from time to time. Shares purchased under the Share Award Plan 2 will be held 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 2. The Share Award Plan 2 will be effective for a period until 30 October 2029 unless terminated at the discretion of the Board at an earlier date.

During the year ended 31 December 2020, the trustee purchased 45,760,000 Shares (representing approximately 1.49% of the issued share capital of the Company) on the Stock Exchange pursuant to the Share Award Plan 2 at a total consideration of approximately HK$11,509,000 and no grant was made. Subsequent to 31 December 2020, the trustee did not purchase any Shares on the Stock Exchange pursuant to the Share Award Plan 2 and no grant was made. As of the date of this announcement, the trustee held a total of 61,612,544 Shares (representing approximately 1.9% of the issued share capital of the Company).

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 Share Award Plan 1 and Share Award Plan 2 which are 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 2020. As at 31 December 2020, the total number of shares that may be granted under the Share Award Incentive Scheme is 21,213,606 Shares, representing 0.7% of the issued share capital of the Company.

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 for the year ended 31 December 2020. 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 2020.

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 2020 as set out in Appendix 14 to Listing Rules, save for the deviations which are explained below:

Code Provision A.2.1

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

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2020. 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 2020 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, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Plan, pursuant to the terms of the rules and trust deed of the Share Award Plan 2, purchased on the Stock Exchange a total number of 45,760,000 Shares at a total consideration of about HK$11,509,000.

Subsequent to 31 December 2020, pursuant to the terms of the rules and trust deed of the Share Award Plan 1 and 2, the trustee of the Share Award Plan 1 and 2 did not purchase any Shares on the Stock Exchange. As at the date of this announcement, the trustee held a total number of 82,760,000 shares (representing approximately 2.55% of the issued share capital of the Company) under the Share Award Plans 1 and 2.

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 (http://www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2020 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.
Lou Dongyang
Chairman

Hong Kong, 26 March 2021

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