CMIC Ocean En-Tech Holding Co., Ltd.
華商國際海洋能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 206)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of CMIC Ocean En-Tech Holding Co., Ltd. (the "**Company**" or "**CMIC**") announces the unaudited results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

RESULTS HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2021 reached approximately US$21.8 million, representing a decrease of approximately 30.1% from US$31.2 million for the same period in 2020;
- Gross profit amounted to approximately US$7.7 million for the six months ended 30 June 2021, representing a decrease of approximately 24.4% from US$10.1 million for the same period in 2020;
- In the first half of 2021, the Company completed the disposal of land and plants in Qingdao, having deducted related expenses and tax expenses, with the net gain on disposal of land and plants approximately US$7.0 million;
- Net profit attributable to equity shareholders of the Company amounted to approximately US$6.3 million for the six months ended 30 June 2021, representing an increase of 117.8% from US$2.9 million for the same period in 2020;
- Earnings per share for the six months ended 30 June 2021 was US$0.20 cent, representing an increase of 107.9% compared with US$0.10 cent for the same period in 2020;
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

		For the six months ended 30 June	
		2021	2020
	Note	***US$'000***	*US$'000*
Revenue	*3, 4*	**21,793**	31,171
Cost of sales		**(14,125)**	(21,022)
Gross profit		**7,668**	10,149
Other revenue and net income	*5*	**14,865**	3,797
Selling and distribution expenses		**(1,119)**	(2,060)
General and administrative expenses		**(9,976)**	(8,223)
Other operating expenses		**(651)**	(10)
Profit from operations		**10,787**	3,653
Finance costs	*6 (a)*	**(367)**	(1,110)
Share of (losses)/profits of associates		**(36)**	6
Share of profit of joint venture		**546**	636
Profit before taxation	*6*	**10,930**	3,185
Income tax expenses	*7*	**(4,677)**	(290)
Profit for the period		**6,253**	2,895
Attributable to:			
Equity shareholders of the Company		**6,250**	2,869
Non-controlling interests		**3**	26
Profit for the period		**6,253**	2,895
Earnings per share			
Basic and diluted	*9*	**US$0.20 cent**	US$0.10 cent

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

	For the six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Profit for the period	**6,253**	2,895
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income ("**FVOCI**") – changes in fair value during the period (non-recycling) (with nil tax effect)	**10**	(70)
– Share of other comprehensive income/(loss) of joint venture (with nil tax effect)	**352**	(3,155)
Item that may be reclassified subsequently to profit or loss:		
– Exchange loss on translation of financial statements of subsidiaries and associates (with nil tax effect)	**(630)**	(191)
Other comprehensive loss for the period	**(268)**	(3,416)
Total comprehensive income/(loss) for the period	**5,985**	(521)
Attributable to:		
Equity shareholders of the Company	**5,971**	(547)
Non-controlling interests	**14**	26
Total comprehensive income/(loss) for the period	**5,985**	(521)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	As at 30 June 2021 US$'000	As at 31 December 2020 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**21,936**	18,971
Investment properties		**3,186**	3,260
Intangible assets		**215**	228
Interest in associates		**315**	346
Interest in joint venture		**41,626**	40,727
Other financial assets		**243**	233
Lease receivables		**14,213**	6,329
Deferred tax assets		**2,624**	2,540
		84,358	72,634
CURRENT ASSETS			
Inventories		**22,217**	23,008
Trade and other receivables	*11*	**56,475**	57,617
Contract assets		**–**	324
Amount due from a related company		**101**	101
Lease receivables		**34,998**	25,591
Tax recoverable		**5**	435
Pledged bank deposits and time deposits		**1,508**	4,187
Cash and cash equivalents		**42,935**	22,424
		158,239	133,687
Non-current assets classified as held for sale		**–**	23,609
		158,239	157,296

	Note	As at 30 June 2021 US$'000	As at 31 December 2020 US$'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**44,729**	57,989
Contract liabilities		**9,601**	8,667
Lease liabilities		**32,237**	23,390
Tax payable		**3,502**	3,376
		90,069	93,422
NET CURRENT ASSETS		**68,170**	63,874
TOTAL ASSETS LESS CURRENT LIABILITIES		**152,528**	136,508
NON-CURRENT LIABILITIES			
Lease liabilities		**10,856**	1,224
NET ASSETS		**141,672**	135,284
CAPITAL AND RESERVES			
Share capital		**41,418**	41,418
Reserves		**100,562**	94,188
Total equity attributable to equity shareholders of the Company		**141,980**	135,606
Non-controlling interests		**(308)**	(322)
TOTAL EQUITY		**141,672**	135,284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Merger reserve	Exchange reserve	Share held for share award scheme reserve	Capital reserve	Revaluation reserve	Reserve funds	Fair value reserve (non-recycling)	Accumulated losses	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2020	39,191	250,735	2,161	(15,537)	(2,801)	5,482	627	8,908	(8,550)	(159,160)	121,056	(642)	120,414
Changes in equity for the six months ended 30 June 2020:													
Profit for the period	–	–	–	–	–	–	–	–	–	2,869	2,869	26	2,895
Other comprehensive income	–	–	–	(191)	–	–	–	–	(3,225)	–	(3,416)	–	(3,416)
Total comprehensive income	–	–	–	(191)	–	–	–	–	(3,225)	2,869	(547)	26	(521)
Purchase of shares for share award scheme	–	–	–	–	(706)	–	–	–	–	–	(706)	–	(706)
Transfer to reserve fund	–	–	–	–	–	–	–	204	–	(204)	–	–	–
Balance at 30 June 2020 (unaudited)	39,191	250,735	2,161	(15,728)	(3,507)	5,482	627	9,112	(11,775)	(156,495)	119,803	(616)	119,187
Balance at 1 January 2021	41,418	254,632	2,161	(13,052)	(4,271)	5,482	627	9,293	(11,646)	(149,038)	135,606	(322)	135,284
Changes in equity for the six months ended 30 June 2021:													
Profit for the period	–	–	–	–	–	–	–	–	–	6,250	6,250	3	6,253
Other comprehensive income	–	–	–	(641)	–	–	–	–	362	–	(279)	11	(268)
Total comprehensive income	–	–	–	(641)	–	–	–	–	362	6,250	5,971	14	5,985
Employees share-based compensation scheme: – value of employee services	–	–	–	–	403	–	–	–	–	–	403	–	403
Balance at 30 June 2021 (unaudited)	41,418	254,632	2,161	(13,693)	(3,868)	5,482	627	9,293	(11,284)	(142,788)	141,980	(308)	141,672

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Operating activities		
Cash generated from/(used in) operations	**5,222**	(4,016)
Income tax (paid)/refunded	**(4,385)**	349
Net cash generated from/(used in) operating activities	**837**	(3,667)
Investing activities		
Payment for the purchase of property, plant and equipment	**(187)**	(29)
Redemption of notes included in trade and other receivables	**–**	3,831
Interest received	**867**	1,059
Proceeds from disposal of property, plant and equipment	**1,210**	–
Proceeds from disposal of non-current assets classified as held for sale	**30,025**	–
Tax paid for disposal of non-current assets classified as held for sale	**(4,393)**	–
Decrease/(increase) in pledged bank deposits and time deposits	**2,691**	(340)
Net cash generated from investing activities	**30,213**	4,521
Financing activities		
Interest paid	**(1)**	(1,111)
Proceeds from new bank loans	**–**	664
Repayment of bank loans	**–**	(3,555)
Capital element of lease rentals paid	**(10,454)**	(555)
Interest element of lease rentals paid	**(72)**	(92)
Payment for purchase of shares under share award scheme	**–**	(706)
Net cash used in financing activities	**(10,527)**	(5,355)
Net increase/(decrease) in cash and cash equivalents	**20,523**	(4,501)
Cash and cash equivalents at 1 January	**22,424**	35,021
Effect of foreign exchanges rates change	**(12)**	(342)
Cash and cash equivalents at 30 June	**42,935**	30,178

NOTES TO THE INTERIM FINANCIAL INFORMATION – UNAUDITED

1. CORPORATE INFORMATION

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

The condensed consolidated financial statements for the six months ended 30 June 2021 have not been audited nor reviewed by the Company's auditors, but have been reviewed by the Company's audit committee. The Company's audit committee has no disagreement with the accounting treatments which had been adopted by the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

In the current period, the HKICPA has issued several amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. The adoption of these amendments had no significant financial impact on the unaudited condensed consolidated financial statements.

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

3. REVENUE

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

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

	Unaudited	
	For the six months ended	
	30 June 2021	30 June 2020
	US$'000	*US$'000*
Capital equipment and packages		
– Sales of capital equipment	**5,711**	6,826
Oilfield expendables and supplies		
– Sales of expendables and supplies	**12,319**	20,966
Management and engineering services		
– Management and engineering service fee income	**3,763**	3,379
	21,793	31,171

4. SEGMENT REPORTING

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

- Capital equipment and packages: the design, manufacturing, installation and commissioning of capital equipment and packages on land and offshore rigs
- Oilfield expendables and supplies: the manufacturing and trading of oilfield expendables and supplies
- Management and engineering services: the provision of management, engineering services and leasing of drilling rigs

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets 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 attributable to individual segment, such as share of results of associates and joint venture, Directors' and auditors' remuneration and other head office or corporate income and expenses.

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

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

	Capital equipment and packages Unaudited For the six months ended		**Oilfield expendables and supplies Unaudited For the six months ended**		**Management and engineering services Unaudited For the six months ended**		**Total Unaudited For the six months ended**	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**5,711**	6,826	**12,319**	20,966	**3,763**	3,379	**21,793**	31,171
Inter-segment revenue	**555**	1,029	**1,104**	3,343	**483**	24	**2,142**	4,396
Reportable segment revenue	**6,266**	7,855	**13,423**	24,309	**4,246**	3,403	**23,935**	35,567
Reportable segment results	**3,956**	1,134	**9,070**	1,907	**962**	2,183	**13,988**	5,224

The segment assets and liabilities as at 30 June 2021 and 31 December 2020 are set out below:

	Capital equipment and packages		**Oilfield expendables and supplies**		**Management and engineering services**		**Total**	
	As at 30 June 2021 (unaudited)	As at 31 December 2020	**As at 30 June 2021 (unaudited)**	As at 31 December 2020	**As at 30 June 2021 (unaudited)**	As at 31 December 2020	**As at 30 June 2021 (unaudited)**	As at 31 December 2020
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Reportable segment assets	**70,563**	72,130	**31,563**	57,064	**44,930**	28,836	**147,056**	158,030
Reportable segment liabilities	**(23,812)**	(32,663)	**(16,701)**	(28,558)	**(44,113)**	(27,191)	**(84,626)**	(88,412)

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

	Unaudited For the six months ended 30 June **2021** *US$'000*	2020 *US$'000*
Revenue		
Reportable segment revenue	**23,935**	35,567
Elimination of inter-segment revenue	**(2,142)**	(4,396)
Consolidated revenue *(note 3)*	**21,793**	31,171
Results		
Segment results	**13,988**	5,224
Finance costs	**(367)**	(1,110)
Share of (losses)/profits of associates	**(36)**	6
Share of profit of joint venture	**546**	636
Unallocated head office and corporate income and expenses	**(3,201)**	(1,571)
Consolidated profit before taxation	**10,930**	3,185

	As at 30 June 2021 (unaudited) *US$'000*	As at 31 December 2020 *US$'000*
Assets		
Reportable segment assets	**147,056**	158,030
Interest in associates	**315**	346
Interest in joint venture	**41,626**	40,727
Other financial assets	**243**	233
Cash and cash equivalents	**42,935**	22,424
Pledged bank deposits and time deposits	**1,508**	4,187
Deferred tax assets	**2,624**	2,540
Tax recoverable	**5**	435
Unallocated head office and corporate assets	**6,285**	1,008
Consolidated total assets	**242,597**	229,930
Liabilities		
Reportable segment liabilities	**(84,626)**	(88,412)
Tax payable	**(3,502)**	(3,376)
Unallocated head office and corporate liabilities	**(12,797)**	(2,858)
Consolidated total liabilities	**(100,925)**	(94,646)

(c) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)	**As at 30 June 2021 (unaudited)**	As at 31 December 2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**–**	–	**1,273**	756
Mainland China	**13,710**	10,533	**22,812**	20,106
North America	**2,356**	10,879	**1,000**	1,316
South America	**3,318**	4,102	**102**	24
Europe	**371**	1,831	**121**	144
Singapore	**305**	3,826	**587**	692
Middle East	**338**	–	**41,626**	40,727
Others	**1,395**	–	**–**	–
	21,793	31,171	**67,521**	63,765

5. OTHER REVENUE AND NET INCOME

	Unaudited	
	For the six months ended	
	30 June 2021	30 June 2020
	US$'000	*US$'000*
Interest income	**592**	305
Finance income from lease receivables	**709**	696
Rental income	**1,109**	–
Net foreign exchange (loss)/gain	**(339)**	626
Government grant	**285**	381
Gain on disposal of property, plant and equipment and non-current assets classified as held for sale	**12,401**	5
Reversal of impairment losses on trade receivables and contract assets	**–**	1,680
Others	**108**	104
	14,865	3,797

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Unaudited	
	For the six months ended	
	30 June 2021	30 June 2020
	US$'000	*US$'000*
Interest on bank loans	**–**	187
Interest on lease liabilities	**72**	923
Other interest expenses	**295**	–
	367	1,110

(b) Other items

	Unaudited	
	For the six months ended	
	30 June 2021	30 June 2020
	US$'000	*US$'000*
Amortisation of intangible assets	**89**	75
Depreciation charge	**1,815**	2,182
Reversal of impairment losses on trade receivables and contract assets	**–**	(1,680)

7. INCOME TAX

	Unaudited For the six months ended	
	30 June 2021	30 June 2020
	US$'000	*US$'000*
Current tax		
Provision for the period		
– The People's Republic of China ("**PRC**") enterprise income tax and land appreciation tax	**4,523**	25
– Overseas corporate income tax	**127**	265
	4,650	290
Under-provision in respect of prior years	**27**	–
	4,677	290
Deferred tax		
Origination of temporary differences	**–**	–
	4,677	290

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

8. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of approximately US$6,250,000 (six months ended 30 June 2020: US$2,869,000) and the weighted average number of 3,167,277,000 (six months ended 30 June 2020: 3,023,170,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 June 2021 and 2020 because there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, additions to property, plant and equipment amounted to approximately US$4,835,000 (six months ended 30 June 2020: US$1,931,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 ***US$'000*** **(unaudited)**	As at 31 December 2020 *US$'000*
Trade debtors and bills receivables	**107,100**	112,521
Less: loss allowances	**(65,086)**	(65,317)
	42,014	47,204
Other receivables, prepayments and deposits	**14,313**	10,163
Amount due from a joint venture	**148**	195
Amounts due from associates	**–**	55
	56,475	57,617

The above trade debtors include an amount of approximately US$650,000 (2020: Nil) due from a related company which is related to sales of oilfield expendables and capital equipment.

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 upon contract milestones being completed. The remaining 5% to 10% of the contract sum represents the retention money and is payable within up to 18 months after delivery of the products or 1 year after completion of the onsite testing, whichever is earlier.

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

	As at 30 June 2021 ***US$'000*** **(unaudited)**	As at 31 December 2020 *US$'000*
Current	**20,142**	15,379
Less than 1 month past due	**3,925**	2,863
More than 1 month but within 3 months past due	**2,709**	3,627
More than 3 months but within 12 months past due	**5,340**	13,073
More than 12 months past due	**9,898**	12,262
Amounts past due	**21,872**	31,825
	42,014	47,204

12. TRADE AND OTHER PAYABLES

	As at 30 June 2021 *US$'000* (unaudited)	As at 31 December 2020 *US$'000*
Trade creditors and bills payables	**24,848**	32,712
Other payables and accrued charges	**19,058**	19,524
Receipts in advance	**–**	5,623
Amounts due to associates	**823**	130
	44,729	57,989

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

	As at 30 June 2021 *US$'000* (unaudited)	As at 31 December 2020 *US$'000*
Within 1 month	**13,168**	14,363
More than 1 month but within 3 months	**5,082**	2,684
More than 3 months but within 12 months	**3,753**	6,806
More than 12 months but within 24 months	**1,779**	2,528
More than 24 months	**1,066**	6,331
	24,848	32,712

13. EMPLOYEE SHARE-BASED ARRANGEMENT

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

During the six months ended 30 June 2021, 15,301,000 shares (six months ended 30 June 2020: Nil) were granted under the share award plan with fair value amounted to approximately US$400,000 (six months ended 30 June 2020: US$ Nil).

14. EVENTS AFTER THE REPORTING PERIOD

The Company was informed by China Merchants Industry Holdings Company Limited ("**CM Industry**") that on 9 July 2021, (i) Great Wall International Investment V Limited ("**GWI Investment V**"), China Merchants Union (BVI) Limited ("**CMU (BVI)**") and an independent minority limited partner transferred all of their limited partnership interests in China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) ("**Fund LP**") to CM Industry; and (ii) China Great Bay Area Fund Management Company Limited, CMU (BVI) and China Great Wall AMC (International) Holdings Company Limited ("**China Great Wall AMC**") transferred all of their equity interests in China Merchants Great-Wall GP Limited ("**GP**") (the general partner of Fund LP) to CM Industry (the "**Change in Shareholding**"). As at the date of this announcement, Fund LP holds 1,530,372,000 shares (representing approximately 47.18% of the issued share capital of the Company) through its wholly-owned subsidiary, Prime Force Investment Corporation. Following the Change in Shareholding, CM Industry holds approximately 99.96% of the limited partnership interest in Fund LP and 100% of the equity interest in GP. As China Great Wall AMC, GWI Investment V and their controlling shareholders ceased to have interests in Fund LP and GP, they have ceased to have any interest in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong). As at the date of this announcement, China Merchants Group Limited (招商局集團有限公司) indirectly controls approximately 99.96% of the limited partnership interest in Fund LP and the entirety of the equity interest in GP, it is therefore a controlling shareholder and the ultimate beneficial owner of the Company. The Company was advised by CM Industry that the Executive Director of the Corporate Finance Division of the Securities and Futures Commission has, pursuant to Note 8 to Rule 26.1 of the Codes on Takeovers and Mergers and shares Buy-backs, confirmed that no general offer obligation will be triggered on the part of CM Industry as a result of the Change in Shareholding.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2021, with the launch of COVID-19 vaccine and the mass vaccination, the situation of the global epidemic has slightly improved, and the world economy has gradually recovered, but showed significant divergence and unevenness. International trade and investment as well as manufacturing industries have accelerated their recovery, the monetary easing policies of developed countries and the expectation of turning to global financial markets have brought some volatility, the internal and external economic environment of emerging markets and developing countries has become more fragile, and the global supply chain shortage crisis has become more prominent.

In the face of the repeated epidemic, the Company always 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.

In terms of offshore core equipment manufacturing, the Company continues to strengthen its sales in the Chinese market as the oil and gas drilling market in China maintains a good momentum of development. 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. 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. We are also actively exploring opportunities for the design and construction of installation vessels and highly configurable wind power operation and maintenance motherships that are adapted to the next generation of high-specification offshore wind turbines. In the first half of 2021, the Company was tracking several opportunities in large cranes, jacking systems and electronic control projects for domestic and foreign offshore wind power installation vessels.

In respect of offshore management business, the Company’s offshore management business developed smoothly in the first half of the year, with the two CJ46 jack-up drilling rigs managed by the Company fulfilling their leases in the Middle East smoothly and their services being recognized and well received by the customers. In 2020, the Company provided two JU2000 jack-up drilling rigs to PEMEX, the national oil company of Mexico. The original leases expired at the end of May 2021, and in view of the excellent operational performance of the two rigs over the past 18 months, the national oil company of Mexico signed new lease renewals with the Company.

As to market development in key regions, in 2021, the Company continued 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 global oil and gas hotspot with strong demand for onshore as well as offshore drilling rig equipment, and the Company was able to successfully renew the lease of two JU2000 jack-up drilling rigs managed by the Company with PEMEX. Mr. Octavio Romero Oropeza, the chief executive officer of PEMEX, personally boarded the "Gulf Drill No. 6 (灣鑽6號)" which is on a drilling mission in the Gulf of Mexico in July this year, and highly affirmed the performance of the platform. The Company successfully received the contract payment for the fourth set of onshore drilling modification order from PEMEX and signed the contract for the fifth set of onshore drilling modification. The Company has set up its own local operation and maintenance team in Mexico. The maintenance workshop in Mexico has been put into operation and a number of maintenance and inspection orders are already being carried out in the new workshop.

In the first half of 2021, the Company completed the disposal of 150 acres of plants and land in Qingdao offshore base, which greatly improved the asset-liability structure of the Company. The Company will continue to seek potential resource integration and investment opportunities around the new energy and technology industry chain.

In terms of coordination with strategic shareholders, in the first half of the year, the construction of the rack processing and semi-circular tube cutting and assembly production line that the Company cooperated with China Merchants Heavy Industry (Haimen) (招商重工(海門)) went smoothly and is expected to be successfully put into use in August 2021. The completion of this production line will greatly enhance the Company's processing and delivery capacity for lifting racks and semi-circle pipes of jack-up platforms, wind turbine installation and service operation platforms.

In terms of transformation and development, the Company focuses on investment opportunities in high-tech and high-end equipment fields such as wind power and hydrogen energy. On 12 July this year, the board of directors of the Company approved further investment and cooperation with Nantong Angstrom New Energy Co., Ltd. (南通安思卓新能源有限公司), which has long been dedicated to the research and development and manufacturing of highly integrated hydrogen production equipment, design and construction of hydrogen refueling stations, and production and sales of hydrogen production and hydrogen refueling all-in-one machines. The Company focuses on new energy hydrogen production and downstream related business. Taking the investment with Nantong Angstrom as an opportunity, the Company will continue to accelerate the transformation layout in new energy industry.

In the first half of 2021, under the leadership of the Company's core management team, although there was a decrease of 30.1% in sales revenue to US$21.8 million comparing to that of the corresponding period of last year, the profit attributable to equity shareholders increased by 117.8% to US$6.3 million.

FINANCIAL REVIEW

	For the six months ended 30 June		Change	
	2021	2020		
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**21,793**	31,171	(9,378)	(30.1)
Gross Profit	**7,668**	10,149	(2,481)	(24.4)
Gross Profit Margin	**35.2%**	32.6%		
Profit from operations	**10,787**	3,653	7,134	195.3
Net profit attributable to equity shareholders	**6,250**	2,869	3,381	117.8
Net profit Margin	**28.7%**	9.3%		
Earnings per Share (Basic and diluted)	**US$0.20 cent**	US$0.10 cent		

Revenue

The Group's revenue decreased from US$31.2 million in the first half year of 2020 to US$21.8 million in the first half year of 2021. The decrease of such revenue was mainly due to a drop in orders delivered to customers under COVID-19 pandemic around the world.

Segment Information by Business Segments

	For the six months ended 30 June					
	2021		2020		Increase/(decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Capital Equipment and Packages	**5,711**	**26.2**	6,826	21.9	(1,115)	(16.3)
Oilfield Expendables and Supplies	**12,319**	**56.5**	20,966	67.3	(8,647)	(41.2)
Management and Engineering Services	**3,763**	**17.3**	3,379	10.8	384	11.4
Total revenue	**21,793**	**100.0**	31,171	100.0	(9,378)	(30.1)

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects decreased by 16.3% from US$6.8 million in the first half year of 2020 to US$5.7 million in the first half year of 2021. The decrease was mainly due to different cycles between production and sales of equipment, and the commencement time of projects delayed because of COVID-19 pandemic, resulting in a drop of revenue from drilling related equipment of US$1.1 million.

Oilfield Expendables and Supplies

The decrease of 41.2% from US$21.0 million in the first half year of 2020 to US$12.3 million in the first half year of 2021 for oilfield expendables and supplies was mainly due to the shrink in orders of oilfield expendables and supplies in American market under the impact of COVID-19 pandemic.

Management and Engineering Services

Management and engineering services revenue increased from US$3.4 million in the first half year of 2020 to US$3.8 million in the first half year of 2021, which was mainly due to the increase in demand for product support service in the Americas and the upgrade and reform of domestic platform service.

Gross Profit and Gross Profit Margin

The gross profit in the first half year of 2021 decreased by 24.4% from US$10.1 million in the first half year of 2020 to US$7.7 million in the same period in 2021. Gross profit margin increased from 32.6% in the first half year of 2020 to 35.2% in the first half year of 2021. The decrease in gross profit was mainly due to the drop of revenue.

Other Revenue and Net Income

Other revenue and net income increased by 291.3% or US$11.1 million from US$3.8 million in the first half year of 2020 to US$14.9 million in the first half year of 2021. The increase was mainly due to the increase in gain on disposal of property, plant and equipment and non-current assets classified as held for sale.

Selling and Distribution Expenses

Selling and distribution expenses decreased by US$1.0 million from US$2.1 million in the first half year of 2020 to US$1.1 million in the first half year of 2021. 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 during the period was due to the decrease in selling expenditures under cost control in 2021.

General and Administrative Expenses

General and administrative expenses increased from US$8.2 million in the first half year of 2020 to US$10.0 million in the first half year of 2021. The increase was mainly due to the increase in business activities.

Other Operating Expenses

The increase in other operating expenses from US$10,000 in the first half year of 2020 to US$651,000 in the first half year of 2021 was mainly due to the written-off of unused value-added tax paid in previous years.

Finance Costs

Finance costs, being interest on bank loans and interest on lease liabilities, amounted to approximately US$0.4 million in the first half year of 2021. The decrease of US$0.7 million from US$1.1 million in the first half year of 2020 was mainly due to the decrease in interest on lease liabilities.

Share of Profit of Joint Venture

The share of profit of joint venture slightly decreased from US$636,000 in the first half year of 2020 to US$546,000 in the first half year of 2021.

Income tax expenses

Income tax expenses increased from US$0.3 million in the first half year of 2020 to US$4.7 million in the first half year of 2021. The increase was mainly due to the tax expenses directly related to the disposal of land and plants in Qingdao.

Group's Liquidity and Capital Resources

As at 30 June 2021, the Group carried tangible assets of approximately US$25.1 million (31 December 2020: US$45.8 million), including property, plant and equipment, investment properties, and non-current assets classified as held for sale. The decrease was mainly due to the completion of the disposal of non-current assets classified as held for sale in the first half of 2021.

As at 30 June 2021, the Group's intangible assets was approximately US$0.2 million (31 December 2020: US$0.2 million), interest in associates was approximately US$0.3 million (31 December 2020: US$0.3 million), interest in joint venture was approximately US$41.6 million (31 December 2020: US$40.7 million) and deferred tax assets was approximately US$2.6 million (31 December 2020: US$2.5 million).

As at 30 June 2021, the Group's current assets amounted to approximately US$158.2 million (31 December 2020: US$157.3 million). Current assets mainly comprised of inventories of approximately US$22.2 million (31 December 2020: US$23.0 million), trade and other receivables of approximately US$56.5 million (31 December 2020: US$57.6 million) and lease receivables (current) of approximately US$35.0 million (31 December 2020: US$25.6 million). Amount due from a related company amounted to approximately US$0.1 million (31 December 2020: US$0.1 million). Pledged bank deposits and time deposits amounted to approximately US$1.5 million (31 December 2020: US$4.2 million) and cash and cash equivalents amounted to approximately US$42.9 million (31 December 2020: US$22.4 million).

As at 30 June 2021, current liabilities amounted to approximately US$90.1 million (31 December 2020: US$93.4 million), mainly comprised of trade and other payables of approximately US$44.7 million (31 December 2020: US$58.0 million), tax payable of approximately US$3.5 million (31 December 2020: US$3.3 million), contract liabilities amounted to US$9.6 million (31 December 2020: US$8.7 million) and current lease liabilities amounted to approximately US$32.2 million (31 December 2020: US$23.4 million).

As at 30 June 2021, the Group had non-current liabilities of approximately US$10.9 million (31 December 2020: US$1.2 million), which comprised of lease liabilities of approximately US$10.9 million (31 December 2020: US$1.2 million). The Group monitors capital with reference to its debt position. The Group's strategy is to maintain the gearing ratio, being the Group's total liabilities to total assets, under 100%. The gearing ratio as at 30 June 2021 was 41.6% (31 December 2020: 41.2%).

Significant Investments 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. The disposal transaction was completed in February 2021.

Capital Structure

At 30 June 2021, there were 3,243,433,914 shares in issue and the Company carried a share capital of approximately US$41,418,000. There was no issue of shares during the first six months of 2021.

Foreign Currency Exchange Exposures

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure resulting from most of the Group's subsidiaries in the PRC carrying out production locally using Renminbi while approximately 50% of the Group's revenue was denominated in United States dollars. As at 30 June 2021, no related hedges were made by the Group.

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

Staff Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 390 full-time staff in the United States, the United Kingdom, Brazil, Mexico, Singapore, Hong Kong and the PRC. The Group's remuneration policy is basically determined by the performance of individual employees and the market conditions. The Group also provides other benefits to its employees, including medical schemes, pension contributions, share award incentive scheme, etc.

USE OF PROCEEDS AND SUPPLEMENTARY INFORMATION ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Company had received net proceeds of approximately HK$657.3 million raised from Rights Issue. As at 30 June 2021, the use of the net proceeds from the Rights Issue is set out as follows:

	Proposed use of net proceeds	Unutilised net proceeds as at 1 January 2021 *(Note)*	Actual use of proceeds during the six months ended 30 June 2021	Actual use of net proceeds up to 30 June 2021	Unutilized net proceeds as at 30 June 2021
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Subscription of shares of joint venture or other investments	460.1	37.8	37.8	460.1	–
Repayment of debts of the Group	131.5	–	–	131.5	–
General working capital of the Group	65. 7	–	–	65. 7	–
Total	657. 3	37.8	37.8	657. 3	–

Note:

In addition to the information contained in the annual report of the Company for the year ended 31 December 2020, the Board would like to provide the following supplementary information to the shareholders and potential investors of the Company. As at 1 January 2021, net proceeds of approximately HK$37.8 million remained unutilised, all of which were allocated to subscription of shares of joint venture or other investments. Such net proceeds were expected to be fully utilized by 31 December 2021.

As at 30 June 2021, all the net proceeds from the Rights Issue have been fully utilized.

STRATEGY AND PROSPECTS

Industry Review

Judged from the trend of global manufacturing PMI in the first half of the year, the global economy maintained the recovery and growth momentum, and the resurgence of COVID-19 in some countries has not greatly affected the accelerated recovery of the global economy. The average of global manufacturing PMI in the first half of the year was 56.5%, representing a growth of 5.3 percentage points as compared with the corresponding period of 2019 and a growth of 3.1 percentage points from the second half of 2020.

Given that the global economy maintains the steady recovery momentum, international agencies are optimistic about the outlook of the global economy in 2021. A report released by the World Bank recently projects that the global economy will grow by 5.6% this year, the fastest growth in recent 50 years and also the greatest post-recession growth in recent 80 years. In the second half of the year, in the context of little large-scale resurgence of COVID-19, the global economy will experience some volatilities due to the development of COVID-19 in some regions, but the trend of overall steady recovery will not change significantly. The vaccination progress and the strength of stimulus policies will decide the pace of economic recovery of countries around the world. With the pandemic controlled gradually and effectively, domestic investments and domestic demands will become the key drivers for countries to recover economy, and, particularly, consumption will gradually make greater contributions. Industry chain and supply chain cooperation around the world will become much further.

For the commodity market, the most important keyword of the first half is "surge". Prices of key commodities rose sharply as the accelerated economic recovery of countries in the first half of the year resulted in the imbalance between supply and demand.

As the "king of commodity", crude oil witnessed the greatest impact, with WTI crude oil and Brent crude advancing by 51.4% and 44.30% respectively in the first half of the year, thus securing the first two places among the global key assets. Since the beginning of this year, governments around the world have been working to boost economic recovery, and the accelerated industrial production causes the crude oil demand to outstrip the supply, which drives the oil price to ascend. The continuous decrease of EIA crude oil inventories also indicates that demands of crude oil are recovering steadily in the market. In addition, the decision of OPEC+ to maintain the planned crude oil output also supports the rising momentum of crude oil price. According to the oil production reduction agreement reached last year, the OPEC+ will continue to cut the production by 5,700,000 barrels/day by the end of next April. Furthermore, the optimistic expectation toward demand recovery in the market still supported the oil price. Data of IEA showed that global oil demands in June were estimated to soar by 3,200,000 barrels/day to 96,800,000 barrels/day. The IEA anticipated that global oil demands will increase by 5,400,000 barrels/day in 2021.

Oil and gas resources are the most important mineral resources of Mexico and revenue from crude oil is one of the country's economic pillars. The current government has given priority to the leading role of PEMEX, the national oil company of Mexico, in the oil industry, reversing the previous policy of providing access to the private sector. Mexico has very limited existing offshore drilling resources. The PEMEX CLUSTER project is a strategic plan initiated by PEMEX, the national oil company of Mexico, to increase crude oil production in Mexico, with a focus on shallow water areas. These shallow-water oil fields are the most important tool for the Mexican government and PEMEX, the national oil company of Mexico, to increase crude oil production under the integrated well service contract (IWC) structure, which was implemented in 2018/2019.

Further, natural gas, which dropped to the 25-year low in last June, regained the attention of the public in the first half of this year with the yield of 43.60%. Overall, the natural gas price recorded increases in the other five months except for March when the price experienced an unexpected monthly decline. In particular, the natural gas price witnessed a cumulative increase of about 20% in June.

From the end of 2014 to the middle of 2016, the number of land drilling rigs in North America dropped dramatically from 2,300 to 416. The number of land drilling rigs in operation in North America recovered to about 1,000 in the end of 2019; affected by the COVID-19 pandemic in 2020, the number of land drilling rigs in operation decreased to 266 in June 2020, hitting the all-time low since 1975. So far this year, the number of land drilling rigs in North America has recovered to 615 as of July. The domestic land oil-gas exploration in the PRC has been booming in the recent two years as the government calls for greater exploration efforts from the perspective of ensuring national energy security.

In the offshore engineering market, the offshore drilling rig industry may probably face pressure due to the continuous impact of COVID-19, even though the short-term market outlook showed signs of improvement in the first half of 2021. In the first half of the year, the comprehensive demands of offshore drilling rigs increased slightly by 2% (which followed the decline of 11% in 2020); drilling platform maintenance activities rebounded significantly this year and recorded 107 contracts in the first half of the year, which exceeded the total of 102 contracts throughout 2020.

As the lease of fixed drilling platforms has commenced recently, the improvement of the demand side could result in the rise momentum in the second half of the year. It is expected that drilling platform demands in the second half of the year will increase by 5 percentage points (with annual growth to be 7%) and may probably further improve in 2022. It is estimated that the number of active drilling platforms will increase by 11% from 2021 to 2022 and reach 504 by the end of 2022. In view of the impact of the pandemic, the supply of active rigs is expected to further decline by 3% in 2021 and reach 609 by the end of 2021, representing a decrease of 9% as compared with the level at the beginning of 2020.

Due to the increase in demand of drilling platform, the comprehensive utilisation of mobile offshore drilling units rose by 4 percentage points in the first half of the year and reached 76% in early July. The comprehensive utilisation is expected to further improve in the next few months in view of the increasing demand. By the end of 2021, the utilisation of rigs is expected to reach 79%, which will be the record-high level since 2015 (but is 16 percentage points lower than the level at the beginning of 2014). Both the demand and utilisation of drilling rigs increased, which facilitates the continuous leasing of 4 jack-up platforms managed by the Company, and the growth of its Engineering Services, including the repair and maintenance of platforms and equipment, and supply of parts.

The day rate of rigs is rising, and the float rate is close to (or exceeds) the level at the beginning of 2020. In June, the average day rate of mobile offshore drilling units was estimated to rise by 6% to USD135,900/day, but the rate was still 58% lower than the level at the beginning of 2014.

In the new energy market, China proposed the objectives of achieving peak carbon emissions in 2030 and carbon neutrality in 2060 for the first time in 2020. China is currently the largest carbon emitter in the world. Data show that in 2020, China's total carbon emissions have reached 10.251 billion tons, and the carbon emissions per unit of GDP is 0.653 kg/USD. The primary source of China's carbon emissions is the use of traditional energy, and carbon emissions generated from the consumption of coal account for 71.1% in 2020. To reduce carbon emissions, the Chinese government is vigorously promoting reform in the energy industry; in such reform, the traditional energy industry is facing challenges, and the new energy industry is to embrace new development opportunities.

Recently, more than 30 local governments in Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta have announced hydrogen energy development plans in succession, and over ten provinces including Guangdong, Gansu, Shandong, Guangxi, Jilin and Guizhou have incorporated hydrogen energy into their local "14th Five-Year" plans. The hydrogen energy industry is attracting greater attention. Supported by the "carbon neutrality" policy, hydrogen energy may step gradually onto the energy arena and have wide applications in the technology upgrading of traditional energy-intensive industry, transportation, energy storage and construction sectors. It is expected that in the next 30 years, the overall demand of hydrogen energy will grow by eight times. According to the estimate of National Alliance of Hydrogen and Fuel Cell, China's hydrogen demand will reach 35,000,000 tons by 2030, and the proportion of hydrogen energy in the energy system will be 5%. In this new arena, companies developing first-mover advantages and possessing core technologies are expected to create long-term values. Currently, hydrogen energy is at the introduction stage when emerging applications in different sectors are undergoing the "zero to one" breakthrough period and the number of listed companies making deployments in and participating in the hydrogen energy segment is increasing rapidly. In the future, China's hydrogen energy industry will embrace greater development space in domestic and global markets.

A report released by Bank of America Merrill Lynch states that hydrogen can meet the global energy demands, provide basic materials to chemical and metallurgy industries, offer fuels to transportation vehicles, supply heat to families and help to cope with climate changes. It is expected that by 2050, the market share will grow by six times; USD2.5 trillion of direct income will be generated; the potential of indirect infrastructure market will reach USD11 trillion.

Bank of America Merrill Lynch holds the view that hydrogen technologies have been developing for decades but has yet to reach the point of mainstream application, and that the integration of economy, technology and environment in the future will change this situation:

It is an inevitable trend that costs of electrolysis and renewable energy for green hydrogen production will decline

Data of Bank of America Merrill Lynch show that costs of electrolysis and renewable energy used for green hydrogen production have declined by 50% in the past five years. The bank estimates that such costs will further decrease by 60% to 90% in the next ten years.

Fuel cell and electrolysis technologies will upgrade

So far, hydrogen development has not been a green industry: currently, 99% of hydrogen is produced by fossil fuels; emissions from this process are more than those of the overall aviation industry, but the efficiency of hydrogen power generation is only 16%. Bank of America Merrill Lynch states that by 2030, the cost of green hydrogen needs to decline by 85% to compete with the hydrogen produced by fossil fuels.

Such decline of costs will be driven by the upgrading of fuel cell and electrolysis technologies. In the meantime, governments of many countries and regions including the EU, China and Australia have begun to offer strong policy support to increase the carbon price and to fund the development of green hydrogen at the same time.

The global attention to decarbonization and sustainable development will expand the potential end market

An increasing number of countries have signed the binding commitment of achieving zero carbon emission by 2050. Bank of America Merrill Lynch believes that to achieve this goal, the only practicable clean factor is hydrogen.

As renewable energy power generation cannot achieve complete decarbonization and 80% of energy around the world is currently derived from fossil fuels, not from renewable energy, green hydrogen may probably be the key factor to cope with global warming.

Bank of America Merrill Lynch expects that by 2050, green hydrogen will meet 24% of our energy demands and help reduce emissions by 30%.

STRATEGY, PROSPECTS AND ORDER BOOK

In the first half of 2021, the Company will continue to advance the development strategy of laying equal stress on the traditional oil and gas business and the pursuit of new energy development including offshore wind power and hydrogen energy, and the focus will be accelerating the transition to new energy.

For the traditional oil and gas business, the Company will maintain steady investments in the offshore management business and the high-end equipment manufacturing business in the first half of the year. In the meantime, the Company will actively explore new business patterns, such as the new sales model integrating core equipment (such as drilling equipment, electrical control equipment, lifting equipment and cranes) with financial leasing. In key regional markets, the Company will focus on hot spots of oil, gas and offshore engineering, especially the Mexican market. In that market, demands of land and offshore drilling platforms are strong, and the Company has signed the fifth land drilling rig upgrading contract with PEMEX despite the impact of COVID-19 pandemic. The Company will further develop resources of the Mexican market and leverage the market resource advantage accumulated over the years to boost the sustainable development of business orders.

For the transition of the new energy business, the Company will increase market research investments in respect of the design, building and operation services of next-generation large offshore wind turbine installation vessels in the first half of the year, given that larger power and size of offshore wind turbines stimulate the demands for large offshore wind power installation vessels to grow and the expanding scale of offshore wind farms boosts the future demands for offshore wind service operation vessels and crew transfer vessels. It will also actively exploit social capitals, seek new business patterns and new project breakthroughs, and actively explore new orders for the traditional business. In the hydrogen energy field, which is also a transition focus for the Company and is in the introduction stage, the Company will seek high-quality targets in the market for integration and investment, vigorously bring in new partners and develop a new business layout by taking advantage of strategic shareholders' resources.

In the first half of the year, the Company further strengthened the synergetic development with strategic shareholders and business partners. The Company and China Merchants Heavy Industry (Haimen) deepened the cooperation in rack processing and semi-circle pipe cutting and assembly lines, which will significantly improve the Company's processing and delivery capabilities for lifting racks and semi-circle pipes of jack-up platforms, wind turbine installation and service operation platforms. At the same time, the Company has been actively exploring new cooperation opportunities in electrical control integration and new energy.

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 in 2021, to maximize the enthusiasm of managers and employees.

PLANS FOR FUTURE MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

In the first half of 2021, the Company completed the disposal and delivery of 150 acres plants and lands at the offshore engineering base in Qingdao, which significantly improves the Company's asset-liability structure. The Company will continue to seek potential resource integration and investment opportunities in new energy and technology industry chain.

In terms of investment direction, the Company will focus on investment opportunities in wind power, hydrogen energy and other high technology and high-end equipment sectors. Based on the existing offshore management business, the Company will also seek potential opportunities to expand the offshore management business and actively seek investment and integration opportunities in respect of equipment, operation and maintenance services related to the offshore wind power industry.

On 12 July 2021, the Board approved the further investment cooperation with Nantong Angstrom Renewable Co., Ltd., which is committed to the research and development and manufacturing of highly integrated hydrogen production equipment, hydrogen refueling station design and construction solutions, and the production and sales of hydrogen production and refueling all-in-one machines, and focuses on businesses related to the production (upstream) and refueling (middle and downstream) of green hydrogen. Taking the investment cooperation with Nantong Angstrom as an opportunity, the Company will continue to focus on the green hydrogen industry to accelerate the transition and the deployment in the new energy sector.

In assessing the potential investment or acquisition targets, the Company will consider a combination of factors such as alignment with the Company's medium and long-term strategic plans, synergies, market position and strengths, management team capability, valuation, track record, financial performance and potential growth. The Company will improve its financial performance by new business elements and capital attention achieved through expanding its business direction and creating a new profit model, so as to provide a solid foundation for future business growth.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

RESIGNATION AND APPOINTMENT OF NON-EXECUTIVE DIRECTORS

- Mr. Qian Zewei resigned as a non-executive Director of the Company due to other commitments with effect from 15 April 2021.

- Mr. Ren Zhiqiang was appointed as a non-executive Director of the Company with effect from 15 April 2021.

RESIGNATION OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

- Mr. Cong Yongjian resigned as an executive Director and the chief executive officer of the Company; and Mr. Ren Zhiqiang resigned as a non-executive Director of the Company, with effect from 19 July 2021 due to the Change in Shareholding (as defined below).

CHANGE IN SHAREHOLDING

The Company was informed by China Merchants Industry Holdings Company Limited ("**CM Industry**") that on 9 July 2021, (i) Great Wall International Investment V Limited ("**GWI Investment V**"), China Merchants Union (BVI) Limited ("**CMU (BVI)**") and an independent minority limited partner transferred all of their limited partnership interests in China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) ("**Fund LP**") to CM Industry; and (ii) China Great Bay Area Fund Management Company Limited, CMU (BVI) and China Great Wall AMC (International) Holdings Company Limited ("**China Great Wall AMC**") transferred all of their equity interests in China Merchants Great-Wall GP Limited ("**Fund GP**") (the general partner of Fund LP) to CM Industry (the "**Change in Shareholding**"). As at the date of this announcement, Fund LP holds 1,530,372,000 shares (representing approximately 47.18% of the issued share capital of the Company) through its wholly-owned subsidiary, Prime Force Investment Corporation. Following the Change in Shareholding, CM Industry holds approximately 99.96% of the limited partnership interest in Fund LP and 100% of the equity interest in Fund GP. As China Great Wall AMC, GWI Investment V and their controlling shareholders ceased to have interests in Fund LP and Fund GP, they have ceased to have any interest in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong). As at the date of this announcement, China Merchants Group Limited (招商局集團有限公司) indirectly controls approximately 99.96% of the limited partnership interest in Fund LP and the entirety of the equity interest in Fund GP, it is therefore a controlling shareholder and the ultimate beneficial owner of the Company. The Company was advised by CM Industry that the Executive Director of the Corporate Finance Division of the Securities and Futures Commission has, pursuant to Note 8 to Rule 26.1 of the Codes on Takeovers and Mergers and Shares Buy-backs, confirmed that no general offer obligation will be triggered on the part of CM Industry as a result of the Change in Shareholding.

SHARE AWARD PLANS

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 six months ended 30 June 2021 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. At the date of this announcement, the Company granted 12,701,000 shares (representing approximately 0.4% 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 six months ended 30 June 2021, the trustee did not purchase any share on the Stock Exchange pursuant to the Share Award Plan 2. 2,600,000 shares were granted by the Company to Eligible Persons for the six months ended 30 June 2021, representing 0.08% of the shares in issue.

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 six months ended 30 June 2021. As at 30 June 2021, 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.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

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

	Number of issued ordinary shares of HK$0.10 each in the Company					Approximate percentage of the Company's issued share capital
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	*(Note 1)*
Mr. Zhang Menggui, Morgan	65,979,100	–	–	–	65,979,100	2.03%
Mr. Jiang Bing Hua	26,965,240	–	–	–	26,965,240	0.83%
Mr. Chan Ngai Sang, Kenny	500,000	–	–	–	500,000	0.02%

Note:

1. The percentage is calculated on the basis of 3,243,433,914 shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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

So far as the Directors are aware, as at 30 June 2021, the following persons not being a Director or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the shareholding *(Note 4)*
China Merchants Group Limited *(Note 1)* ("**CM Group**")	Corporate	1,530,372,000	47.18
China Merchants Steam Navigation Company Limited *(Note 1)* ("**CM Steam Navigation**")	Corporate	1,530,372,000	47.18
China Great Wall Asset Management Co., Ltd. *(Note 1)* ("**GW Asset Management**")	Corporate	1,530,372,000	47.18
China Great Wall AMC (International) Holdings Company Limited *(Note 1)*	Corporate	1,530,372,000	47.18
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) *(Note 1)*	Corporate	1,530,372,000	47.18
China Merchants Great-Wall GP Limited *(Note 1)*	Corporate	1,530,372,000	47.18
Great Wall International Investment V Limited *(Note 1)*	Corporate	1,530,372,000	47.18
Prime Force Investment Corporation *(Note 1)* ("**Prime Force**")	Beneficial Owner	1,530,372,000	47.18

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the shareholding *(Note 4)*
Minyun Limited	Beneficial Owner	284,751,000	8.78
China International Marine Containers (Group) Co., Ltd. *(Note 2)* (“**CMIC Group**”)	Corporate	185,600,000	5.72
China International Marine Containers (Hong Kong) Ltd. *(Note 2)* (“**CMIC HK**”)	Beneficial Owner	185,600,000	5.72
China State Shipbuilding Corporation Limited *(Note 3)* (“**CSSC**”)	Corporate	174,394,797	5.38
CSSC Huangpu Wenchong Shipbuilding Company Limited *(Note 3)* (“**Huangpu Shipbuilding**”)	Corporate	174,394,797	5.38
Wah Shun International Marine Limited *(Note 3)* (“**Wah Shun**”)	Beneficial Owner	174,394,797	5.38

Notes:

1. Prime Force is a company incorporated in the British Virgin Islands and is wholly-owned by Fund LP and Fund LP is therefore deemed to be interested in the 1,530,372,000 shares that Prime Force is interested in under Part XV of the SFO.

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

   GWI Investment V holds approximately 39.986% of the limited partnership interests in Fund LP and is therefore deemed to be interested in the 1,530,372,000 shares that Fund LP is interested in under Part XV of the SFO. GWI Investment V is a wholly-owned subsidiary of China Great Wall AMC, and China Great Wall AMC is a wholly-owned subsidiary of GW Asset Management. Therefore, China Great Wall AMC and GW Asset Management are deemed to be interested in the 1,530,372,000 shares held by Fund LP. China Great Wall AMC also holds 25% of the equity interest in Fund GP.

Given (i) China Great Bay Area Fund Management Company Limited holds 30% of the equity interest in Fund GP and is a wholly-owned subsidiary of China Merchants Capital Management Co. Ltd., which in turn is wholly-owned by China Merchants Capital Investment Co., Ltd., which is in turn wholly-owned by CM Steam Navigation; (ii) CMU (BVI) holds approximately 9.996% of the limited partnership interests in Fund LP and 15% of the equity interest in Fund GP, and its 50% of the equity interest is held by China Merchants Holdings (Hong Kong) Company Ltd. which is in turn wholly-owned by CM Steam Navigation; and (iii) CM Industry holds 30% of the equity interest in Fund GP and approximately 29.989% of the limited partnership interests in Fund LP, and is a wholly-owned subsidiary of CM Steam Navigation which is a wholly-owned subsidiary of CM Group. CM Steam Navigation and CM Group are deemed to be interested in the 1,530,372,000 shares that Fund GP is interested in under Part XV of the SFO.

2. CIMC Group holds the entire issued share capital of CIMC HK. Therefore, CIMC Group is deemed to be interested in the 185,600,000 shares held by CIMC HK under Part XV of the SFO.

3. CSSC holds 35.5% of the equity interest of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), which in turn holds 54.54% of the equity interest of Huangpu Shipbuilding. CSSC also holds directly 14.48% of the equity interest of Huangpu Shipbuilding, which directly holds 99% of issued shares of Wah Shun. Therefore, CSSC and Huangpu Shipbuilding are deemed to be interested in the 174,394,797 shares held by Wah Shun under Part XV of the SFO.

The percentage is calculated on the basis of 3,243,433,914 shares in issue as at 30 June 2021.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2021, no person (other than Director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the six months period ended 30 June 2021.

AUDIT COMMITTEE

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

The audit committee comprises three members, namely Mr. Chan Ngai Sang, Kenny (being the chairman of the audit committee), Mr. Zou Zhendong and Mr. Chen Weidong. All of them are independent non-executive Directors. The audit committee of the Company has reviewed the unaudited financial results of the Group for the six months ended 30 June 2021 and is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. There is no disagreement by the audit committee with the accounting treatment adopted by the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent companies was a party or were parties and in which a Director or his/her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30 June 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards of dealings as set out in the Model Code as set forth in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standards of dealings as set out in the Model Code during the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices to ensure transparency so that the interests of our shareholders and the cooperative development among customers, employees and the Group can be safeguarded. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**").

During the six months ended 30 June 2021, the Company has complied with the code provisions of the CG Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.cmicholding.com) in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express sincere thanks to all the shareholders for their continuous support and to all staff for their dedication and contribution to the Group during the six months ended 30 June 2021.

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

Hong Kong, 27 August 2021

As of the date of this announcement, the Board comprises 2 executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; 3 non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong and Ms. Fu Rui; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.