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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue amounted to approximately US$57.0 million for the year ended 31 December 2021, representing a decrease of 13.4% as compared with 2020;
- Gross profit amounted to approximately US$20.7 million for the year ended 31 December 2021, representing an increase of 77.9% as compared with 2020;
- Gross profit margin increased from 17.6% for 2020 to 36.2% for 2021, representing an increase of 18.6 percentage points as compared with 2020;
- Profit attributable to equity shareholders of the Company amounted to approximately US$9.2 million for the year ended 31 December 2021, representing a decrease of 15.5% from US$10.9 million for 2020; and
- The Board does not recommend the payment of a dividend for 2021.

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 2021 (the "**Year**") together with the comparative figures for the year ended 31 December 2020 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2021

	Note	2021 US$'000	2020 (Restated) (Note 3) US$'000
Revenue	3	**57,027**	65,882
Cost of sales		**(36,363)**	(54,265)
Gross profit		**20,664**	11,617
Other revenue and net income	4	**4,723**	5,920
Selling and distribution expenses		**(3,914)**	(4,818)
General and administrative expenses		**(19,775)**	(21,705)
Other operating expenses	5(c)	**(1,919)**	(3,767)
Reversal of impairment losses/(impairment losses) on trade debtors and bills receivables, lease receivables and contract assets		**3,418**	(4,272)
Gain on settlement of sale and purchase contracts	5(b)	**–**	26,332
Gain on disposal of non-current assets classified as held for sale	5(d)	**11,407**	–
Profit from operations		**14,604**	9,307
Finance costs	5(a)	**(489)**	(660)
Share of profits less losses of associates		**255**	18
Share of profit of joint venture		**1,370**	1,216
Profit before taxation	5	**15,740**	9,881
Income tax (expenses)/credit	6	**(6,396)**	949
Profit for the year		**9,344**	10,830
Attributable to:			
Equity shareholders of the Company		**9,220**	10,916
Non-controlling interests		**124**	(86)
Profit for the year		**9,344**	10,830
Earnings per share	8		
Basic and diluted		**US0.29 cent**	US0.36 cent

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

	2021	2020
	US$'000	*US$'000*
Profit for the year	**9,344**	10,830
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 ("**FVOCI**")		
– changes in fair value during the year (non-recycling) (with nil tax effect)	**112**	(93)
– Share of other comprehensive income of joint venture (with nil tax effect)	**1,026**	(3,003)
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)*	**2,559**	2,482
Other comprehensive income for the year	**3,697**	(614)
Total comprehensive income for the year	**13,041**	10,216
Attributable to:		
Equity shareholders of the Company	**12,850**	10,305
Non-controlling interests	**191**	(89)
Total comprehensive income for the year	**13,041**	10,216

* Included exchange gain on translation of financial statements of associates of $20,000 (2020: $21,000).

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment		**24,061**	18,971
Investment properties		**1,928**	3,260
Intangible assets		**195**	228
Interest in associates		**1,165**	346
Interest in joint venture	*9*	**43,123**	40,727
Other financial assets		**345**	233
Prepayments	*11*	**261**	–
Lease receivables		**4,638**	6,329
Deferred tax assets		**964**	2,540
		76,680	72,634
Current assets			
Inventories	*10*	**33,391**	23,008
Trade and other receivables	*11*	**64,686**	57,617
Contract assets		**–**	324
Amount due from a related company		**–**	101
Lease receivables		**19,632**	25,591
Tax recoverable		**146**	435
Pledged bank deposits and time deposits		**1,851**	4,187
Cash and cash equivalents		**33,511**	22,424
		153,217	133,687
Non-current assets classified as held for sale	*12*	**–**	23,609
		153,217	157,296

	Note	2021 US$'000	2020 US$'000
Current liabilities			
Trade and other payables	*13*	**42,331**	57,989
Contract liabilities		**15,003**	8,667
Lease liabilities		**18,536**	23,390
Tax payable		**3,289**	3,376
		79,159	93,422
Net current assets		**74,058**	63,874
Total assets less current liabilities		**150,738**	136,508
Non-current liabilities			
Lease liabilities		**2,160**	1,224
		2,160	1,224
NET ASSETS		**148,578**	135,284
CAPITAL AND RESERVES			
Share capital		**41,418**	41,418
Reserves		**107,291**	94,188
Total equity attributable to equity shareholders of the Company		**148,709**	135,606
Non-controlling interests		**(131)**	(322)
TOTAL EQUITY		**148,578**	135,284

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions (including those beyond 30 June 2021)*

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

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 and capital equipment.

Disaggregation of revenue

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

	2021	2020
		(Restated)
		(Note)
	US$'000	*US$'000*
Sales of capital equipment and packages	**24,271**	41,092
Sales of oilfield expendables and supplies	**21,034**	17,413
Management and engineering service fee income	**6,762**	4,476
Rental income arising from leases of capital equipment classified as operating leases	**3,351**	738
Gain on sub-leasing of drilling rigs classified as finance leases	**963**	1,061
Interest income from sub-leasing of drilling rigs classified as finance leases	**646**	1,102
	57,027	65,882

Note: For the year ended 31 December 2021, the Group has recorded as "Revenue" instead of "Other Revenue" for rental income arising from leases of capital equipment classified as operating leases as it is regarded as a principal activity due to its increasing importance to the Group. Accordingly, the comparative information of revenue and related costs are restated to conform with the current year's presentation.

4 OTHER REVENUE AND NET INCOME

	2021	2020
		(Restated)
		(Note 3)
	US$'000	*US$'000*
Interest income	**851**	1,034
Finance income from lease receivables	**1,353**	562
Rental income	**595**	891
Net foreign exchange (loss)/gain	**(1,109)**	1,632
Government grant *(note)*	**1,118**	1,604
Reversal of accruals in connection with settlement of sale and purchase contracts *(note 5(b))*	**996**	–
Others	**919**	197
	4,723	5,920

Note: Government grant for the year ended 31 December 2021 mainly includes subsidy income received from the municipal and provincial governments in the Mainland China to incentivise the enterprises to improve their technology and create more value to the industry in which the Group operates.

During the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. In addition, a subsidiary based in United States of America also successfully applied for a loan forgiveness from the Paycheck Protection Plan, set up by the U.S. Government, of which not less than 75% of the principal amount was utilised for staff costs.

5 PROFIT BEFORE TAXATION

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

		2021	2020
		US$'000	*US$'000*
(a)	**Finance costs**		
	Interest on bank loans	**–**	171
	Interest on lease liabilities	**1,515**	1,554
		1,515	1,725
	Less: Interest on lease liabilities relating to sub-leasing of drilling rigs included in costs of sales	**(1,026)**	(1,065)
		489	660

(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 was required to pay cash settlement of $6,226,000 by monthly instalments 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.

During the year ended 31 December 2021, a reversal of accruals of $996,000 in connection with the above settlement was credited to profit or loss as the Group no longer has the obligations to fulfill its certain responsibilities as stated in the deed of settlement.

(c) Other operating expenses

During the year ended 31 December 2021, other operating expenses include mainly sundry expenses, with no provision of impairment on property, plant and equipment (2020: impairment losses for property, plant and equipment of $1,723,000).

(d) Gain on disposal of non-current assets classified as held for sale

Pursuant to the land disposal agreements entered by the Group with external third parties on 29 October 2020, the Group agreed to dispose of certain land and buildings, situated in Qingdao, the People's Republic of China (the "**PRC**") and related plant and machinery and office equipment, furniture and fixtures, at an aggregate consideration of RMB245,000,000 (equivalent to $37,975,000). The aggregate carrying amount of land and buildings and related plant and machinery and office equipment, furniture and fixtures was $23,397,000. The disposal transactions were completed in February 2021. As a result, a gain on disposal of non-current assets classified as held for sale of $11,407,000, after the recognition of related tax expenses (excluding land appreciation tax) of $3,171,000, was credited to profit or loss for the year ended 31 December 2021.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2021	2020
	US$'000	*US$'000*
Current tax		
Provision for the year		
– The PRC enterprise income tax	**864**	136
– The PRC Land Appreciation Tax	**3,716**	–
– Overseas corporation income tax	**326**	525
	4,906	661
Over-provision in respect of prior years	**(77)**	(993)
	4,829	(332)
Deferred tax		
Origination of temporary differences	**1,567**	(617)
	6,396	(949)

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 sustained losses for taxation purpose 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, the statutory tax rate in the PRC is 25% (2020: 25%) and certain PRC subsidiaries are subject to tax at a reduced rate of 15% (2020: 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 2021 (2020: $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 $9,220,000 (2020: $10,916,000) and the weighted average number of 3,171,607,000 (2020: 3,056,855,000) ordinary shares in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**3,243,434**	3,069,039
Effect of shares held for share award scheme (including the effect of shares granted under share award scheme)	**(71,827)**	(60,309)
Effect of issue of new shares	**–**	48,125
Weighted average number of ordinary shares at 31 December	**3,171,607**	3,056,855

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2021 and 2020 because there were no potential dilutive ordinary shares outstanding.

9 INTEREST IN JOINT VENTURE

	2021	2020
	US$'000	*US$'000*
Share of net assets	**43,123**	40,727
Amount due from joint venture (included in trade and other receivables) *(note 11)*	**148**	195

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.

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2021	2020
	US$'000	*US$'000*
Raw materials	**5,768**	4,803
Work in progress	**12,843**	13,528
Finished goods	**14,780**	4,677
	33,391	23,008

11 TRADE AND OTHER RECEIVABLES

	2021 *US$'000*	2020 *US$'000*
Trade debtors and bills receivables	**113,878**	112,521
Less: loss allowance	**(61,990)**	(65,317)
	51,888	47,204
Other receivables, prepayments and deposits	**12,906**	10,163
Amount due from joint venture *(note 9)*	**148**	195
Amount due from an associate	**5**	55
	64,947	57,617
Less: Non-current portion of prepayments	**(261)**	–
	64,686	57,617

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:

	2021 *US$'000*	2020 *US$'000*
Current	**35,739**	15,379
Less than 1 month past due	**2,492**	2,863
More than 1 month but within 3 months past due	**1,214**	3,627
More than 3 months but within 12 months past due	**2,432**	13,073
More than 12 months but within 24 months past due	**1,003**	2,707
More than 24 months past due	**9,008**	9,555
Amounts past due	**16,149**	31,825
	51,888	47,204

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 0% to 30% of the contract sum are usually required. The balance of 60% to 90% 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 generally 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

In 2020, the Group entered into land disposal agreements with a third party to dispose of certain land and buildings situated in Qingdao, the PRC, and related plant and machinery and office equipment, furniture and fixtures, 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 $37,975,000). The non-current assets classified as held for sale with aggregate carrying amount of $23,609,000 as at 31 December 2020 was disposed of in February 2021 (see note 5(d)).

13 TRADE AND OTHER PAYABLES

	2021	2020
	US$'000	*US$'000*
Trade creditors and bills payables	**28,248**	32,712
Other payables and accrued charges	**13,510**	19,524
Receipts in advance	**–**	5,623
Amount due to an associate	**573**	130
	42,331	57,989

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:

	2021	2020
	US$'000	US$'000
Within 1 month	**16,177**	14,363
More than 1 month but within 3 months	**2,346**	2,684
More than 3 months but within 12 months	**2,909**	6,806
More than 12 months but within 24 months	**1,757**	2,528
More than 24 months	**5,059**	6,331
	28,248	32,712

14 COMMITMENTS

During the year ended 31 December 2021, the Group entered into an agreement with a third party to establish an associate in the Mainland China with a purpose to develop products in relation to hydrogen energy. As at 31 December 2021, the Group committed to contribute cash of RMB30,000,000 (equivalent to approximately $4,713,000) to this new associate as capital.

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

In 2021, COVID-19 continued to ravage the world, even with the emergence of mutant strains such as Delta and Omicron to exacerbate travel restrictions and instability in social life in the second half of the year. However, with major economies around the world reopening and launching growth stimulus packages, there was a slow economic recovery, an accelerated inflation, and a decline in the growth rate of unemployment globally. The global crude oil market, with "de-stocking" as the main logic, pushed the mean price of international oil significantly upwards.

In the face of the inconvenience and restrictions caused by force majeure such as the severe pandemic and floods, the Company took precautions proactively and responded quickly. In terms of traditional energy business, all units held onto the business objectives of the Company, actively seized market opportunities, executed orders and maintained stable development. In addition, the Company officially established new energy as the third largest business segment this year and expects income will be generated starting from 2022, laying out offshore deep-water wind power and hydrogen energy, with certain results achieved.

In terms of traditional energy business, the Company acquired Jiangsu Modern Shipbuilding Technology Co., Ltd. (江蘇現代造船技術有限公司) and became its second largest shareholder, focusing on the digitisation and intellectualisation of shipyards and the shipbuilding industry, and continued to build a whole chain of technical services for "design + manufacturing". On the offshore core equipment manufacturing, the Company took high-end equipment manufacturing as the entry point, and applied the traditional advantages of cranes, lifting piles and electrical control system in the offshore engineering industry to the next generation of large offshore wind power installation vessels, which achieved a major market breakthrough. The Company also created a new benchmark business model, and established a new industrial ecology of offshore wind power installation vessel investment.

In terms of hydrogen energy business, the Company set up China Merchant Green Hydrogen Technology Co., Ltd. (華商氫能技術(青島)有限公司) ("**GHT**"), marking the official start of CMIC's comprehensive transformation from traditional energy to new energy. GHT and Tan Kah Kee Innovation Laboratory at Xiamen University formally established a joint venture for hydrogen energy technology, focusing on the research and development and mass production of large-capacity, high-current-density hydrogen production equipment. GHT has also actively promoted and made progress with potential partners on projects such as core equipment for hydrogen refueling stations, including hydrogen compressors and high-pressure storage tanks and overall EPC solutions, an operating platform for hydrogen heavy trucks, the Hydrogen Energy Industry Institute of Henan Province, and technical cooperation with industry-leading companies in the Netherlands and other European countries.

In 2021, despite the slow recovery of the market environment, the Company's operating results still maintained a profitable trend with a number of important order contracts achieving breakthroughs or expecting to continue to grow. The four units of rigs operated for PEMEX and Abu Dhabi National Oil Company have been well received by the customers. Contracts for the two units of rigs operated for PEMEX were successfully renewed by the customers and the delivery of spare parts for the rigs drew to a close. In response to the strong demand from the Mexican market, the international region team set up a new operation and maintenance service center and put it into operation, with orders keeping pouring in. After more than a year of hard work, the Company has implemented a new generation of 1600-tonne jack-up wind power installation platform project and secured a large order for core equipment totalling RMB263 million.

Synergies between the Company and its strategic shareholders are beginning to emerge. In the past year, CMIC and its major shareholder, CM Industry Group ("**CMI**"), have cooperated and collaborated on major projects in traditional business, offshore wind power and hydrogen energy, etc. The cooperation on the new generation of 1600-tonne offshore wind power installation vessel project has achieved the integration of quality resources within China Merchants Group Limited (招商局集團有限公司) ("**CM Group**"). The Company signed a strategic cooperation agreement with CM Taiping Bay on hydrogen energy industry, planning to jointly develop, cultivate and expand new energy industry and hydrogen energy industry in the Taiping Bay Cooperation Innovation Zone in Dalian, Liaoning Province.

In 2021, the Company's business structure was restructured and its positioning in the new era was clarified – a technology-based international company involved in both oil and gas energy and green energy industries. In parallel with its business transformation, the Company has actively restructured its management team and personnel structure to achieve a rejuvenated management team and a specialised technical team. The Company is solidly building up a younger management team that matches the age structure and ability structure to adapt to development needs under the new market environment and new businesses.

In 2021, under the leadership of the Company's core management team, the annual sales revenue and the profit attributable to equity shareholders of the Company amounted to approximately US$57.0 million and US$9.2 million, representing a year-on-year decrease of 13.4% and 15.5%, respectively.

FINANCIAL REVIEW

	2021	2020 (Restated)	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**57,027**	65,882	(8,855)	(13.4)
Gross profit	**20,664**	11,617	9,047	77.9
Gross profit margin	**36.2%**	17.6%		
Profit from operations	**14,604**	9,307	5,297	56.9
Net profit attributable to equity shareholders	**9,220**	10,916	(1,696)	(15.5)
Profit for the year	**9,344**	10,830	(1,486)	(13.7)
Net profit margin	**16.4%**	16.4%		
Earnings per share (Basic and diluted)	**US0.29 cent**	US0.36 cent	US(0.07) cent	(19.4)

Revenue

The Group's revenue decreased from US$65.9 million (restated) in 2020 to US$57.0 million in 2021. The decrease of revenue was mainly due to the failure to complete the delivery within the year in accordance with original schedule as a result of the impact from COVID-19 pandemic and disruption in supply chain on certain orders; the completed and delivered orders in 2021 was fewer than the previous year as certain orders for product were affected by production cycle.

Segment Information by Business Segments

	2021		2020 (Restated)		Increase/(decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Capital equipment and packages	**27,622**	**48.4**	41,830	63.5	(14,208)	(34.0)
Oilfield expendables and supplies	**21,034**	**36.9**	17,413	26.4	3,621	20.8
Management and engineering services	**8,371**	**14.7**	6,639	10.1	1,732	26.1
Total revenue	**57,027**	**100.0**	65,882	100.0	(8,855)	(13.4)

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects decreased by 34.0% from US$41.8 million (restated) in 2020 to US$27.6 million in 2021 due to fewer completed and delivered orders in 2021 than the previous year as a result of the impact of the COVID-19 pandemic on the delivery time as well as the impact of production cycle on certain orders for product.

Oilfield Expendables and Supplies

The increase of 20.8% from US$17.4 million in 2020 to US$21.0 million in 2021 for oilfield expendables and supplies was due to continuous rise in oil prices and a year-on-year increase in orders of oilfield expendables and supplies in Mainland China and Mexico markets.

Management and Engineering Services

Management and engineering services revenue increased from US$6.6 million in 2020 to US$8.4 million in 2021 mainly due to the upgrade for offshore rigs and the increase in ancillary services in Mexico market.

Segment Information by Geographical Regions

	2021		2020 (Restated)		Increase/(decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Hong Kong Special Administrative Region	**26**	**–**	21	–	5	23.8
Mainland China	**31,049**	**54.4**	34,334	52.1	(3,285)	(9.6)
North America	**3,422**	**6.0**	5,240	7.9	(1,818)	(34.7)
South America	**18,287**	**32.1**	19,036	28.9	(749)	(3.9)
Europe	**178**	**0.3**	842	1.3	(664)	(78.9)
Singapore	**736**	**1.3**	2,609	4.0	(1,873)	(71.8)
Indonesia	**47**	**0.1**	629	1.0	(582)	(92.5)
Middle East	**1,469**	**2.6**	1,206	1.8	263	21.8
Others	**1,813**	**3.2**	1,965	3.0	(152)	(7.7)
Total revenue	**57,027**	**100.0**	65,882	100.0	(8,855)	(13.4)

Gross Profit and Gross Profit Margin

The gross profit of US$20.7 million for the year of 2021 increased by 77.9% from US$11.6 million (restated) in the previous year. Gross profit margin increased from 17.6% (restated) in 2020 to 36.2% in 2021. The increase was mainly due to higher income arising from provision of management and engineering services and rental income arising from leases of capital equipment with higher margin and decrease in provision for inventories made by the Company as compared with last year.

Other Revenue and Net Income

Other revenue and net income decreased from US$5.9 million (restated) in 2020 to US$4.7 million in 2021. This amount includes rental income, finance income from lease receivables and various government grants.

Selling and Distribution Expenses

Selling and distribution expenses decreased by US$0.9 million from US$4.8 million in 2020 to US$3.9 million in 2021. Selling and distribution expenses mainly comprised sales staff salaries, commissions, marketing expenses including travel costs and other sales and promotional expenditure. The decrease of selling and distribution expenses was mainly due to persistent cost control.

General and Administrative Expenses

General and administrative expenses decreased from US$21.7 million in 2020 to US$19.8 million in 2021. The decrease was mainly due to staff streamlining and decrease in business activities.

Other Operating Expenses

The decrease in other operating expenses from US$3.8 million (restated) in 2020 to US$1.9 million in 2021 due to the absence of provision for impairment of property, plant and equipment amounting to US$1,723,000 made in 2020.

Finance Costs

Finance costs, being interest on bank loans and interest on lease liabilities, decreased from US$0.7 million in 2020 to US$0.5 million in 2021.

Share of Profit of Joint Venture

Share of profit of joint venture increased by US$0.2 million from US$1.2 million in 2020 to US$1.4 million in 2021.

Group's Liquidity and Capital Resources

As at 31 December 2021, the Group carried tangible assets of approximately US$26.0 million (2020: US$45.8 million) being property, plant and equipment, investment properties and non-current assets classified as held for sale.

As at 31 December 2021, the Group's intangible assets was approximately US$0.2 million (2020: US$0.2 million). As at 31 December 2021, the Group's interest in associates was approximately US$1.2 million (2020: US$0.3 million), interest in joint venture was approximately US$43.1 million (2020: US$40.7 million) and deferred tax assets was approximately US$1.0 million (2020: US$2.5 million).

As at 31 December 2021, the Group's current assets amounted to approximately US$153.2 million (2020: US$157.3 million). Current assets mainly comprised inventories of approximately US$33.4 million (2020: US$23.0 million), trade and other receivables of approximately US$64.7 million (2020: US$57.6 million), contract assets of US$Nil (2020: US$0.3 million) and lease receivables (current) of approximately US$19.6 million (2020: US$25.6 million).

As at 31 December 2021, amount due from a related company amounted to US$Nil (2020: US$0.1 million), pledged bank deposits and time deposits amounted to approximately US$1.9 million (2020: US$4.2 million) and cash and cash equivalents amounted to approximately US$33.5 million (2020: US$22.4 million).

As at 31 December 2021, current liabilities amounted to approximately US$79.2 million (2020: US$93.4 million), mainly comprised trade and other payables of approximately US$42.3 million (2020: US$58.0 million), and tax payable of approximately US$3.3 million (2020: US$3.4 million). Contract liabilities amounted to US$15.0 million (2020: US$8.7 million) and current lease liabilities amounted to approximately US$18.5 million (2020: US$23.4 million).

As at 31 December 2021, the Group had non-current liabilities of approximately US$2.2 million (2020: US$1.2 million), representing non-current portion of lease liabilities. 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 2021 was 35.4% (2020: 41.2%).

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. The above disposal transactions were completed in February 2021 and contributed a gain of US$11,407,000 to the Group.

Save as disclosed above, the Group did not have any other significant investment, material acquisition and disposal during the year.

Future Plans For Material Investments or Capital Assets

Except as disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at 31 December 2021.

Capital Structure

At 31 December 2021, there were 3,243,433,914 shares issued and the Company carried a share capital of approximately US$41,418,000.

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 2021 and 2020, no related hedges were made by the Group.

In order to mitigate 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.

Employees and Remuneration Policy

As at 31 December 2021, the Group had a total of 390 full-time staff in the United States, the United Kingdom, Brazil, Mexico, Singapore, Hong Kong and Mainland China. The Group's remuneration policy is determined by the salary levels in different regions, employee rank and performance and the market conditions. The Group also provides other benefits to its employees, including medical schemes, pension contributions scheme, share award incentive scheme etc.

USE OF PROCEEDS AND SUPPLEMENTARY INFORMATION ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Company had received net proceeds of approximately HK$657.3 million raised from Rights Issue. As at 31 December 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 year ended 31 December 2021	Actual use of net proceeds up to 31 December 2021	Unutilised net proceeds as at 31 December 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 utilised by 31 December 2021.

As at 31 December 2021, all the net proceeds from the Rights Issue have been fully utilised.

STRATEGY AND PROSPECTS

Market Review

In 2021, as the global epidemic has been gradually brought under control, social activities resumed at an accelerated pace and economic recovery led to a rapid expansion of global energy demand. However, in terms of oil supply, the reduction in production capacity due to the epidemic has not been able to be replenished quickly, resulting in the oil market as a whole being in the undersupply condition in 2021 and a sharp increase in the international oil prices, far exceeding the pre-epidemic levels. Recently, the price of U.S. crude oil (WTI) rose from USD48.52 to USD123.7 per barrel, representing an increase of 155%, and the price of Brent crude (Brent) rose from USD51.8 per barrel to USD127.98 per barrel, representing an increase of 147%.

Looking back on the past year, the sharp rise in the oil prices was mainly attributable to the following reasons: Firstly, the United States and other major economies initiated unlimited quantitative easing policies in response to the epidemic, which led to liquidity spillover in financial markets, pushing up the prices of oil and other bulk commodities and making the U.S. stock market reach greater highs. Secondly, the strong economic recovery in various countries under the loose monetary environment coupled with the rollout of mass vaccinations have led to a gradual recovery in social activities and a surge in energy demand thereupon. Thirdly, the impact of the epidemic and the pressure of energy transformation have resulted in a continued reduction in upstream exploration and development investments by oil and gas companies, limiting the rapid recovery of production capacity. Fourthly, due to the war between Russia and Ukraine and the influence of geopolitics, the international market was worried about the supply of crude oil, which has prompted the rapid rise of oil price. The surging demand and constrained production capacity growth have jointly contributed to oil inventory destocking and rising oil prices in 2021.

The offshore drilling market has ushered in a recovery in 2021 with the rapid rise in oil prices. While current demand for drilling rigs is still 7% lower than the pre-epidemic level and the recovery in demand is relatively modest, the shrinking drilling rig supply continues to support higher utilisation rates. In addition, the outlook for the drilling rig market appears to be cautiously optimistic as owners' confidence has been restored by the firming oil prices this year and the demand side of the drilling rigs is expected to see greater gains in 2022.

Clarkson's latest drilling market report shows that global demand for drilling rigs was 474 by the end of 2021, representing an increase of 5% compared to that of 2020, with utilisation rate reaching 79%, representing a modest year-on-year increase of 4%. Demand for drilling rigs last year was limited by weak activities from national oil companies in the Middle East, with the number of active jack-up drilling rigs growing by 4% globally; however, activities in the floating drilling rig market picked up significantly, representing a growth rate of 6%. And the rebalancing pace of the supply side remains firm, with the supply of active drilling rigs falling to 603 at the end of 2021, 9% lower than the figure in early 2020. In addition, Clarkson expects market demand for drilling rigs to grow by 10% in 2022, reaching 520 by the end of 2022, which would be 2% higher than the pre-epidemic levels.

However, whether the viability of oil prices could be remained at the current high levels in the long run is still uncertain and is subject to a number of risks. As a fundamental material, the energy's price increase will inevitably be transferred to the industrial products and the consumer goods. The rapid rise in oil prices since 2021 has led to severe and sustained inflation in major economies around the world. As of December 2021, the U.S. consumer price index (CPI) has maintained a year-on-year growth rate of more than 5% for eight months, with a year-on-year increase of 7.12% in CPI in December, hitting a new height in 40 years. Although the Federal Reserve insisted at the beginning that "inflation is a temporary phenomenon", it had to change its attitude in the face of the rising prices, announcing that it would taper its bond purchases, and even indicating that interest rate hikes and contraction of balance sheets would be launched earlier. In response to the stubbornly high inflation, the Bank of England announced in November that it would raise interest rates by 5 basis points. In 2022, the major economies worldwide are expected to enter a tightening cycle. Once the liquidity in financial markets tightens, bulk commodities represented by oil are expected to bear the brunt and be challenged by downside risks. Additionally, the disruption to economic activities caused by the epidemic will be another major risk. The availability of vaccines in major countries has indeed effectively prevented and controlled the epidemic, but the epidemic is still continuing in some areas due to the difficulty in obtaining sufficient vaccines in less developed regions such as Africa, and therefore the emergence of variants successively in the second half of the year poses a challenge to the effectiveness of the vaccines. As social distancing, community lockdown and other measures remain the most effective means of stopping the spread of the virus, there is still a risk of a global economic shutdown in the event of the outbreak of a new epidemic in the future.

In terms of the domestic oil and gas market, PetroChina, Sinopec and CNOOC focused on their major responsibilities of securing national energy safety, implemented key projects of enhanced reserve and productivity of oil and gas, and strived to "re-enhance" their abilities of ensuring oil and gas supply in 2021. The domestic exploration results show two major characteristics, namely being (1) inclined to marine resources, and (2) inclined to unconventional resources. On 21 October 2021, General Secretary Xi Jinping pointed out during his inspection and investigation of Shengli Oilfield that the construction of petroleum energy is of great significance to our country, and China, as a major manufacturing country, must develop the real economy and have the control of energy in its own hands. The strategic positioning at the national level has strengthened the belief in the long-term development of domestic oil and gas industry, and guided its development direction. Intensifying the exploration and development of oil and gas will become the key task of PetroChina, Sinopec and CNOOC in the future.

In 2021, while the prosperity of oil and gas industry was on the rebound, the pace of global energy transformation has accelerated noticeably, with renewable energy becoming the focus of the market. In recent years, a number of international oil giants have reinvented themselves, launching new brand names and logos, and marched towards the journey of developing into "energy giants" with a brand-new image. Following the name changes of national oil companies in Denmark and Norway, two more oil companies have announced their name changes in 2021. On 28 May, Total, a French petroleum giant, announced that its company name was changed to Total Energies. On 11 October, Qatar Petroleum officially changed its name to Qatar Energy. Against the backdrop of transformation of the energy industry, it has become a trend for oil companies to restructure their traditional business segments and move towards becoming energy companies.

Offshore wind power, as an important renewable energy source, saw great development in 2021. In October 2021, China's offshore wind power installed capacity surpassed that of the United Kingdom (being 10.5GW) for the first time, making it the world's largest offshore wind power market. As 2021 is the last year of the national subsidy for wind power in China, the country has seen a "rush of installation tide" in offshore wind power installations.

According to Clarkson's latest report, as at early November 2021, a total of 199 offshore wind farms in the globe have been connected to the grid and commenced operation at full capacity, with installed capacity reaching 37.2GW. The global offshore wind power installed capacity will continue to grow significantly in the next few years, and is estimated to reach 102GW by the end of 2025. It is expected that by the end of 2021, the global cumulative installed capacity of offshore wind farms in operation will reach 43.9GW, of which 11.9GW will be connected to the grid at full capacity this year. Such growth in installed capacity is mainly driven by the large number of projects coming on stream in China, where 14 wind farms with a total of 3.1GW have been operated and what's more, 25 wind farms with a total of 8.3GW have been connected to the grid for the first time in the first 11 months of 2021.

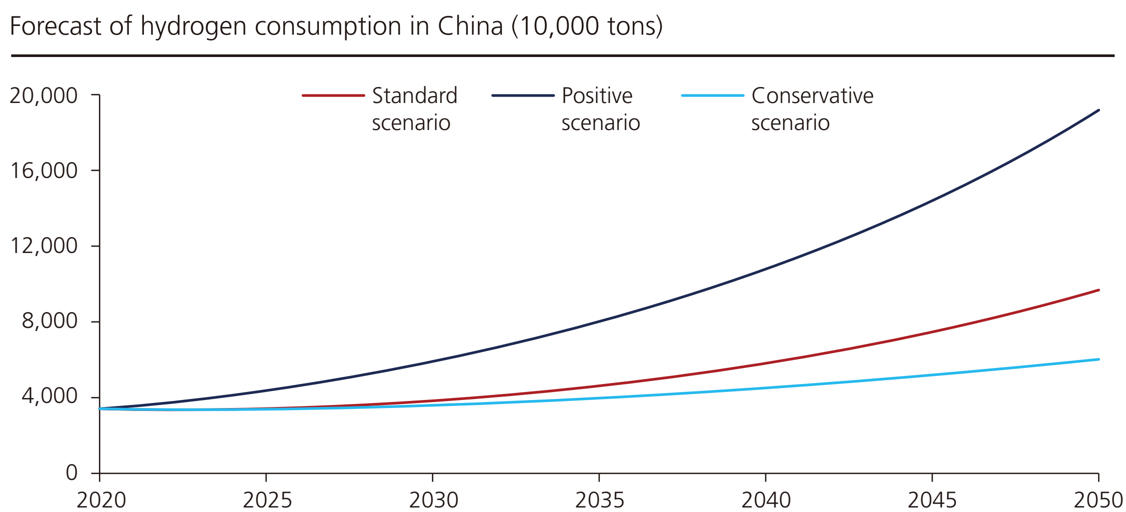
With the massive construction of offshore wind farms around the world, wind power installation vessels are hard to find. Clarkson predicts that by the end of 2025, there will be a demand for more than 9,000 wind turbines to be hoisted worldwide, of which more than 2,000 will be placed in waters 40 kilometers away from the shore, as thus the demand for wind power installation vessels and operation and maintenance motherships will increase in the next few years. In the first 11 months of 2021, new-building or modification orders for a total of 15 wind power installation vessels and 13 operation and maintenance motherships have been signed, with the number of orders signed annually reaching a record high. Demand for wind power installation vessels and other construction vessels in the Chinese market remained strong in October due to the "rush of installation tide". At the end of October 2021, the utilisation rate of wind power installation vessels in the Chinese market reached 98%, while the number of vessels operating in Chinese wind farms was a monthly average of 69 vessels, an increase of 183% year-on-year. However, with the withdrawal of central government's subsidies, the growth of installation operations is likely to slow down in 2022, when demand for offshore wind power vessels in the Chinese market will decline.

To further reduce development costs, the trend that offshore wind turbines becoming larger will continue. Through research, Clarkson predicts that by 2025, the average hoisted single-machine capacity of the global offshore wind turbines will reach 8.9MW, representing an increase of 40% as compared to 2020. In August 2021, Mingyang Smart Energy, a domestic wind power turbine manufacturer, announced the launch of a 16MW offshore wind turbine, which is the world's highest single-machine capacity wind turbine so far.

The trend that offshore wind turbines becoming larger has placed greater demands on WTIV and cranes, with newly-built vessels adopting larger tonnage cranes and a strong demand for crane upgrade on existing vessels. As predicted by Clarkson's research, a new cycle of orders for offshore wind power installation vessels has begun. Since early 2020, a total of 24 WTIV new-building or modification orders have been signed worldwide, 10 of which will adopt cranes of no less than 1,200 tonnes SWL to have the capability of lifting 12MW and above wind turbines. In addition, there are still 12 letters of investment intent or standby orders to be effected in the market, where 11 vessels will be fitted with cranes of not less than 1,200 tonnes SWL. In order to meet the future market demand for large-scale WTIV, some shipowners will start upgrading their existing fleets. From early 2020, the cranes for six WTIV have been confirmed to be upgraded to 1,600 tonnes SWL, with the upgrade for one more vessel yet to be effected.

In terms of the hydrogen energy market, the International Energy Agency forecasted in the "Net Zero by 2050 – A Roadmap for the Global Energy Sector" that in order to achieve carbon neutrality in 2050, the global demand for hydrogen will increase from 87 million tons in 2020 to 530 million tons, with an average annual growth rate of 6.2%. The Hydrogen Council also mentioned in its "Hydrogen for Net Zero" Report of November 2021 that in order to achieve the goal of carbon neutrality and a global cooling of 1.5 degrees, the global demand for hydrogen will be 660 million tons by 2050, accounting for 22% of the final global energy demand, with an average annual growth rate of 7.0%.

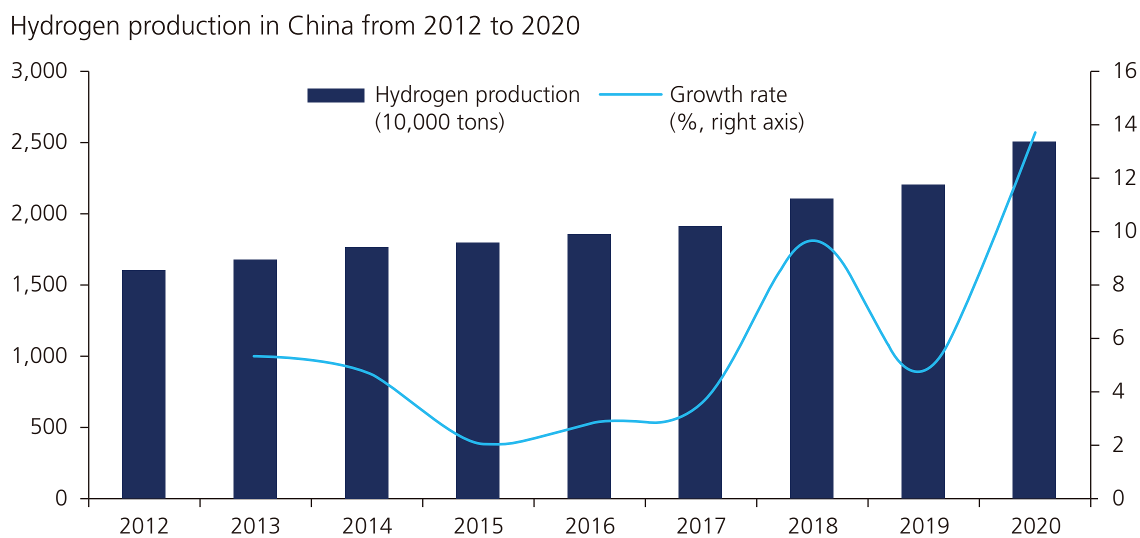
According to the estimate of National Alliance of Hydrogen and Fuel Cell, the proportion of hydrogen energy in China's end-use energy system will increase from 2.7% in 2019 to 6% by 2030 under a peak carbon emissions scenario, and to 20% by 2060 under a carbon neutrality scenario, which corresponds to an increase in China's annual demand for hydrogen from 33.42 million tons in 2020 to 37.15 million tons and 130 million tons in 2030 and 2060, with an average annual growth rate of approximately 3.5%. The number of hydrogen refueling stations and fuel cell electric vehicles will also increase rapidly. By the end of 2020, a total of approximately 544 hydrogen refueling stations have been built worldwide, of which 128 were in China, accounting for approximately 23.5%. According to the forecast of the "White Paper on the Hydrogen Energy and Fuel Cell Industry of China (2019)", the number of hydrogen refueling stations in China will reach 1,500 by 2035 and more than 10,000 by 2050, with an average annual growth rate of 15.6% to achieve this goal.



(Forecast of hydrogen consumption in China)

At the Central level, hydrogen energy has become a key industry during the "14th Five-Year Plan" period. The "Outline of the 14th Five-Year Plan" identifies hydrogen energy and energy storage as a future industry and will implement incubation and acceleration plans for the future industry. At the local level, all regions are scrambling for the layout of the hydrogen energy industry. Recently, more than 30 provincial and municipal hydrogen energy development plans have been released in succession, including those for Beijing-Tianjin-Hebei region, Yangtze River Delta, Pearl River Delta, Sichuan and Shandong.

At present, China's energy structure is still dominated by fossil energy, and non-fossil energy accounts for only 15.9%, which is still a certain distance from the target of 20% in 2025, and far from the target of 80% in 2060. China has abundant resources to produce hydrogen, and abandoned electricity resources can be an important source of hydrogen energy supply. China is the world's largest renewable energy power generation country. By the end of 2020, China's installed capacity of renewable energy power generation has reached 930 million kilowatts, accounting for more than 80% of the world. Approximately 100 billion kWh of electricity discarded each year from renewable energy sources such as wind power, photovoltaic and hydropower can be used to produce 2 million tons of hydrogen from electrolytic water. Renewable energy is expected to be the main source of green hydrogen supply in China.



(Hydrogen production in China)

Strategy and Prospects

In 2022, the Company will be positioned as a "technology-based international company engaged in oil and gas energy and green energy industries", aiming to realise the dual-driven development of fossil energy business and new energy business.

By virtue of the steady development of its traditional oil and gas and offshore core equipment business, the Company will take full advantages on the offshore technology, market and talents by integrating upstream and downstream resources, actively participate in the investment in new energy, such as global wind power, wave power, LNG, hydrogen energy, smart electrical automation control, etc. and manufacturing technology industries, focus on new energy businesses such as offshore wind power and hydrogen energy, and proactively explore and deploy new businesses. The Company will implement its development strategies in the following aspects:

In respect of the offshore management business, the Company developed smoothly in 2021. The leases of the 2 drilling rigs under the management of the Company were successfully fulfilled, and the services were highly praised by customers. In 2022, 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, the Company will continue to adapt to the market situation by integrating internal resources and market-oriented means, create more updated cooperation models, and strengthen asset management business.

In terms of high-end oil and gas and offshore engineering equipment manufacturing, while continuing to strengthen the sales of drilling rigs in China, the Company will also expand the application and model innovation of high-end equipment in the offshore deep-water wind power field. The Company will keep a close eye on opportunities from hot market, especially the Mexican market, as well as the domestic onshore oil and gas market, and seize project opportunities such as rig reconstruction, sales of drilling equipment and spare parts. The Company will continue to conduct surveys on market and product demand, increase investment in research and development, and seek actively to cooperate with large state-owned enterprises with good credit by adopting flexible business models such as "lease and sale" or "financial leasing", so as to improve profits and generate continuous cash inflows. In the field of wind power, the Company will start form the 1,600-ton wind power installation vessels project, closely seize market opportunities, build leading crane, lifting equipment and ship-wide power control products in China as well as the world, and cooperate with CM Industry to build branded marine products of CM Group with independent intellectual property right, so as to enhance the core competitiveness of the overall market.

Currently, more than 30 countries have formulated national hydrogen energy strategies. The Company encounters a precious growth opportunity in the hydrogen energy industry. Based on CMIC's high-end equipment manufacturing capabilities and experience, the Company will give priority to the upstream green hydrogen production, identify all issues under the overall layout of the industrial chain, leverage on its own advantages and resources, integrate external technologies with the Company's existing production capacity and management experience, and shine a brighter spotlight on the strategic cooperation with social capital. Meanwhile, by leveraging the advantages of major shareholders and related resources in respect of application scenarios, the Company will be able to explore the core parts of the industry and solve industry pain points. Subsequently, the Company will also strengthen the expansion of downstream application scenarios, and form an internal resource synergy with numerous ports, industrial parks, logistics parks and highways of CM Group. At the same time, with the hydrogen refueling station serving as a hub, the upstream hydrogen production and downstream application scenarios will be closely connected to realise the overall layout of the upstream and downstream industrial chain.

In 2022, 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 lease and sales, business development in wind power market, equipment sales, project financing, expansion in the application scenarios of hydrogen energy, etc.

In 2022, the Company will continue to strengthen works in terms of brand building and investor relations, improve the Company's Internet external window channels, update and strengthen the brand positioning of "oil and gas energy + green energy". The Company will enhance the maintenance of investor relations and market value management, strengthen the connection between the Company and investors through regular strategy presentations, video conferences, roadshows, etc., and strive to achieve positive interaction and development.

PLANS FOR MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

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, especially deep-water floating wind power. The Company will continue to expand its investment in the whole industry chain of hydrogen energy industry, seeking opportunities for investment and integration in high-value key segments such as green hydrogen production, fuel cells, hydrogen compressors and offshore hydrogen production.

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.

CHANGE IN SHAREHOLDING

The Company was informed by 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, CM Group 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. The 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 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. In 2021, the Company granted 12,701,000 shares (representing approximately 0.4% of the issued share capital of the Company) held by the trustee. As at the date of this announcement, 8,446,456 shares are held by the trustee under the Share Award Plan 1.

The Company adopted a new share award plan ("**Share Award Plan 2**") on 31 October 2019 (the "**Adoption Date**"). The Share Award Plan 2 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 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. The 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 2021, the trustee purchased 3,040,000 shares in aggregate on the Stock Exchange pursuant to the Share Award Plan 2 at a total consideration of approximately HK$1,150,000. 2,600,000 shares were granted by the Company to Eligible Persons in 2021, representing 0.08% of the shares in issue. As at the date of this announcement, 62,052,544 shares are held by the trustee under the Share Award Plan 2.

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 2021. As at 31 December 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.

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 2021. 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 2021.

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 throughout the year ended 31 December 2021.

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. For the year ended 31 December 2021, the Company has complied with the code provisions of the CG Code that were contained in Appendix 14 to the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2021. 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 2021 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 3,040,000 shares at a total consideration of about HK$1,150,000.

Subsequent to 31 December 2021, 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 70,499,000 shares (representing approximately 2.17% 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 2021 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, 25 March 2022

As of the date of this announcement, the Board comprises 2 executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; 5 non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui, Mr. Huang Jin and Mr. Liu Jiancheng; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.