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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 2022

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 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

RESULTS HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2022 reached approximately US$51.1 million, representing an increase of approximately 125.7% from US$22.6 million (restated) for the same period in 2021;

- Gross profit amounted to approximately US$11.0 million for the six months ended 30 June 2022, representing an increase of approximately 37.2% from US$8.0 million (restated) for the same period in 2021;

- Net profit attributable to equity shareholders of the Company amounted to approximately US$1.7 million for the six months ended 30 June 2022, representing a decrease of 73.4% from US$6.3 million for the same period in 2021;

- Earnings per share for the six months ended 30 June 2022 was US0.05 cent, representing a decrease of 75.0% compared with US0.20 cent for the same period in 2021;

- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2022

	Note	For the six months ended 30 June **2022** *US$'000*	2021 (Restated) *(Note 3)* *US$'000*
Revenue	*3, 4*	**51,078**	22,629
Cost of sales		**(40,046)**	(14,587)
Gross profit		**11,032**	8,042
Other revenue and net income	*5*	**1,221**	14,029
Selling and distribution expenses		**(1,258)**	(1,119)
General and administrative expenses		**(9,452)**	(9,514)
Other operating expenses		**(34)**	(651)
Profit from operations		**1,509**	10,787
Finance costs	*6(a)*	**(103)**	(367)
Share of losses of associates		**(126)**	(36)
Share of profit of joint venture		**522**	546
Profit before taxation	*6*	**1,802**	10,930
Income tax expenses	*7*	**(154)**	(4,677)
Profit for the period		**1,648**	6,253
Attributable to:			
Equity shareholders of the Company		**1,662**	6,250
Non-controlling interests		**(14)**	3
Profit for the period		**1,648**	6,253
Earnings per share			
Basic and diluted	*9*	**US0.05 cent**	US0.20 cent

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

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	US$'000	*US$'000*
Profit for the period	**1,648**	6,253
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 – changes in fair value during the period (non-recycling) (with nil tax effect)	**(26)**	10
– Share of other comprehensive income of joint venture (with nil tax effect)	**573**	352
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)	**(4,163)**	(630)
Other comprehensive income for the period	**(3,616)**	(268)
Total comprehensive income for the period	**(1,968)**	5,985
Attributable to:		
Equity shareholders of the Company	**(1,889)**	5,971
Non-controlling interests	**(79)**	14
Total comprehensive income for the period	**(1,968)**	5,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	**Unaudited 30 June 2022 *US$'000***	Audited 31 December 2021 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**22,320**	24,061
Investment properties		**1,574**	1,928
Intangible assets		**159**	195
Interest in associates		**6,866**	1,165
Interest in joint venture		**44,218**	43,123
Other financial assets		**319**	345
Prepayments		**219**	261
Lease receivables		**3,203**	4,638
Deferred tax assets		**936**	964
		79,814	76,680
CURRENT ASSETS			
Inventories		**26,303**	33,391
Trade and other receivables	*11*	**91,773**	64,686
Amounts due from related companies		**2,528**	–
Lease receivables		**7,050**	19,632
Tax recoverable		**139**	146
Pledged bank deposits and time deposits		**1,649**	1,851
Cash and cash equivalents		**18,088**	33,511
		147,530	153,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	**Unaudited 30 June 2022 *US$'000***	Audited 31 December 2021 *US$'000*
CURRENT LIABILITIES			
Trade and other payables	*12*	**41,295**	42,331
Contract liabilities		**27,340**	15,003
Lease liabilities		**6,294**	18,536
Tax payable		**3,548**	3,289
		78,477	79,159
NET CURRENT ASSETS		**69,053**	74,058
TOTAL ASSETS LESS CURRENT LIABILITIES		**148,867**	150,738
NON-CURRENT LIABILITIES			
Lease liabilities		**2,257**	2,160
NET ASSETS		**146,610**	148,578
CAPITAL AND RESERVES			
Share capital		**41,418**	41,418
Reserves		**105,402**	107,291
Total equity attributable to equity shareholders of the Company		**146,820**	148,709
Non-controlling interests		**(210)**	(131)
TOTAL EQUITY		**146,610**	148,578

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2022

	Attributable to equity shareholders of the Company												
	Share capital *US$'000*	Share premium *US$'000*	Merger reserve *US$'000*	Exchange reserve *US$'000*	Shares held for share award scheme reserve *US$'000*	Capital reserve *US$'000*	Revaluation reserve *US$'000*	Reserve funds *US$'000*	Fair value reserve (non-recycling) *US$'000*	Accumulated losses *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
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
Shares granted under share award scheme	–	–	–	–	403	–	–	–	–	–	403	–	403
Balance at 30 June 2021	41,418	254,632	2,161	(13,693)	(3,868)	5,482	627	9,293	(11,284)	(142,788)	141,980	(308)	141,672
Balance at 1 January 2022	41,418	254,632	2,161	(10,560)	(3,631)	5,482	627	10,237	(10,508)	(141,149)	148,709	(131)	148,578
Changes in equity for the six months ended 30 June 2022:													
Profit for the period	–	–	–	–	–	–	–	–	–	1,662	1,662	(14)	1,648
Other comprehensive income	–	–	–	(4,098)	–	–	–	–	547	–	(3,551)	(65)	(3,616)
Total comprehensive income	–	–	–	(4,098)	–	–	–	–	547	1,662	(1,889)	(79)	(1,968)
Transfer to reserve funds	–	–	–	–	–	–	–	117	–	(117)	–	–	–
Balance at 30 June 2022	41,418	254,632	2,161	(14,658)	(3,631)	5,482	627	10,354	(9,961)	(139,604)	146,820	(210)	146,610

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	US$'000	*US$'000*
Operating activities		
Cash generated from operations	**1,275**	5,222
Income tax paid	**(116)**	(4,385)
Net cash generated from operating activities	**1,159**	837
Investing activities		
Payment for the purchase of property, plant and equipment	**(404)**	(187)
Capital contribution to associates	**(6,184)**	–
Proceeds from disposal of an associate	**93**	–
Interest received	**82**	867
Proceeds from disposal of property, plant and equipment	**21**	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 in pledged bank deposits and time deposits	**155**	2,691
Net cash (used in)/generated from investing activities	**(6,237)**	30,213
Financing activities		
Interest paid	**(14)**	(1)
Capital element of lease rentals paid	**(9,596)**	(10,454)
Interest element of lease rentals paid	**(89)**	(72)
Net cash used in financing activities	**(9,699)**	(10,527)
Net (decrease)/increase in cash and cash equivalents	**(14,777)**	20,523
Cash and cash equivalents at 1 January	**33,511**	22,424
Effect of foreign exchanges rates change	**(646)**	(12)
Cash and cash equivalents at 30 June	**18,088**	42,935

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 2022 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 2021.

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 and capital equipment.

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

	Unaudited	
	For the six months ended	
	30 June 2022	30 June 2021
		(Restated)
		(Note)
	US$'000	*US$'000*
Sales of capital equipment and packages	**27,047**	5,711
Sales of oil expendables and supplies	**18,236**	12,319
Management and engineering service fee income	**4,586**	3,139
Rental income arising from leases of capital equipment classified as operating leases *(Note)*	**1,042**	836
Gain on sub-leasing of drilling rigs classified as finance leases	**–**	502
Interest income from sub-leasing of drilling rigs classified as finance leases	**167**	122
	51,078	22,629

Note: For the six months ended 30 June 2022, 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 the rental income and related costs are restated to conform with the current period's presentation.

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, and leasing of capital equipment manufactured by the Group

- 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 periods are set out below.

	Capital equipment and packages		Oilfield expendables and supplies		Management and engineering services		Total	
	Unaudited		**Unaudited**		**Unaudited**		**Unaudited**	
	For the six months ended		**For the six months ended**		**For the six months ended**		**For the six months ended**	
	30 June 2022	30 June 2021 (Restated) *(Note 3)*	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021 (Restated) *(Note 3)*
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**28,089**	6,547	**18,236**	12,319	**4,753**	3,763	**51,078**	22,629
Inter-segment revenue	**1,804**	555	**2,043**	1,104	**503**	483	**4,350**	2,142
Reportable segment revenue	**29,893**	7,102	**20,279**	13,423	**5,256**	4,246	**55,428**	24,771
Reportable segment results	**2,503**	3,956	**1,930**	9,070	**105**	962	**4,538**	13,988

The segment assets and liabilities as at 30 June 2022 and 31 December 2021 are set out below:

	Capital equipment and packages		Oilfield expendables and supplies		Management and engineering services		Total	
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	As at 30 June 2022	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Reportable segment assets	**90,815**	79,281	**46,940**	44,044	**9,881**	22,928	**147,636**	146,253
Reportable segment liabilities	**(29,324)**	(33,588)	**(17,348)**	(20,888)	**(11,036)**	(20,188)	**(57,708)**	(74,664)

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

	Unaudited For the six months ended 30 June	
	2022	2021 (Restated) *(Note 3)*
	US$'000	*US$'000*
Revenue		
Reportable segment revenue	**55,428**	24,771
Elimination of inter-segment revenue	**(4,350)**	(2,142)
Consolidated revenue *(Note 3)*	**51,078**	22,629
Results		
Segment results	**4,538**	13,988
Finance costs	**(103)**	(367)
Share of losses of associates	**(126)**	(36)
Share of profit of joint venture	**522**	546
Unallocated head office and corporate income and expenses	**(3,029)**	(3,201)
Consolidated profit before taxation	**1,802**	10,930

	Unaudited As at 30 June 2022	Audited As at 31 December 2021
	US$'000	*US$'000*
Assets		
Reportable segment assets	**147,636**	146,253
Interest in associates	**6,866**	1,165
Interest in joint venture	**44,218**	43,123
Other financial assets	**319**	345
Cash and cash equivalents	**18,088**	33,511
Pledged bank deposits and time deposits	**1,649**	1,851
Deferred tax assets	**936**	964
Tax recoverable	**139**	146
Unallocated head office and corporate assets	**7,493**	2,539
Consolidated total assets	**227,344**	229,897
Liabilities		
Reportable segment liabilities	**(57,708)**	(74,664)
Tax payable	**(3,548)**	(3,289)
Unallocated head office and corporate liabilities	**(19,478)**	(3,366)
Consolidated total liabilities	**(80,734)**	(81,319)

(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**	
	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2021 (Restated) *(Note 3)*	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong Special Administrative Region	**–**	–	**1,104**	902
Mainland China	**32,818**	14,546	**29,032**	25,783
North America	**3,308**	2,356	**612**	497
South America	**11,961**	3,318	**194**	163
Europe	**88**	371	**102**	102
Singapore	**293**	305	**412**	503
Middle East	**303**	338	**44,219**	43,125
Others	**2,307**	1,395	**–**	3
	51,078	22,629	**75,675**	71,078

5. OTHER REVENUE AND NET INCOME

	Unaudited For the six months ended	
	30 June 2022	30 June 2021 (Restated) *(Note 3)*
	US$'000	*US$'000*
Interest income	**81**	592
Finance income from lease receivables	**563**	709
Rental income	**292**	273
Net foreign exchange loss	**(291)**	(339)
Government grant	**232**	285
Gain on disposal of property, plant and equipment and non-current assets classified as held for sale	**–**	12,401
Reversal of impairment losses on trade receivables and contract assets	**246**	–
Others	**98**	108
	1,221	14,029

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Unaudited For the six months ended	
	30 June 2022	30 June 2021
	US$'000	*US$'000*
Interest on lease liabilities	**436**	190
Other interest expenses	**14**	295
	450	485
Less: Interest on lease liabilities relating to sub-leasing of drilling rigs included in costs of sales	**(347)**	(118)
	103	367

(b) Other items

	Unaudited	
	For the six months ended	
	30 June 2022	30 June 2021
	US$'000	*US$'000*
Amortisation of intangible assets	**139**	89
Depreciation charge	**2,276**	1,815

7. INCOME TAX EXPENSES

	Unaudited	
	For the six months ended	
	30 June 2022	30 June 2021
	US$'000	*US$'000*
Current tax		
Provision for the period		
– The People's Republic of China ("**PRC**") enterprise income tax and land appreciation tax	**131**	4,523
– Overseas corporate income tax	**127**	127
	258	4,650
(Over)/under-provision in respect of prior years	**(104)**	27
	154	4,677

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, the statutory tax rate in the PRC is 25% and 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 2022 (six months ended 30 June 2021: 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 2022 is based on the profit attributable to ordinary equity shareholders of the Company of approximately US$1,662,000 (six months ended 30 June 2021: US$6,250,000) and the weighted average number of 3,172,935,000 (six months ended 30 June 2021: 3,167,277,000) 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 2022 and 2021 because there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, additions to property, plant and equipment amounted to approximately US$1,487,000 (six months ended 30 June 2021: US$4,835,000).

11. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2022 *US$'000*	Audited As at 31 December 2021 *US$'000*
Trade debtors and bills receivables	**129,563**	113,878
Less: loss allowances	**(58,539)**	(61,990)
	71,024	51,888
Other receivables, prepayments and deposits	**20,951**	12,906
Amount due from joint venture	**8**	148
Amounts due from associates	**9**	5
	91,992	64,947
Less: Non-current portion of prepayments	**(219)**	(261)
	91,773	64,686

As at 31 December 2021, trade debtors and bills receivables and deposits included US$1,055,000 and US$34,000 due from/paid to subsidiaries of the Group's ultimate holding company, in connection with the sales of products to and the lease arrangements with these related parties.

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.

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

	Unaudited As at 30 June 2022 ***US$'000***	Audited As at 31 December 2021 *US$'000*
Current	**45,734**	35,739
Less than 1 month past due	**7,833**	2,492
More than 1 month but within 3 months past due	**8,659**	1,214
More than 3 months but within 12 months past due	**7,790**	2,432
More than 12 months but within 24 months past due	**782**	1,003
More than 24 months past due	**226**	9,008
Amounts past due	**25,290**	16,149
	71,024	51,888

12. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2022 ***US$'000***	Audited As at 31 December 2021 *US$'000*
Trade creditors and bills payables	**29,047**	28,248
Other payables and accrued charges	**12,248**	13,510
Amounts due to associates	**–**	573
	41,295	42,331

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

	Unaudited As at 30 June 2022	Audited As at 31 December 2021
	US$'000	*US$'000*
Within 1 month	**9,390**	16,177
More than 1 month but within 3 months	**6,316**	2,346
More than 3 months but within 12 months	**7,020**	2,909
More than 12 months but within 24 months	**1,136**	1,757
More than 24 months	**5,185**	5,059
	29,047	28,248

13. EMPLOYEE SHARE-BASED ARRANGEMENTS

The Group operates share award plans as part of the benefits of its employees. Under the share award plans, 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-based arrangements.

During the six months ended 30 June 2022, no shares were granted under the share-based arrangements (six months ended 30 June 2021: 15,301,000 shares with fair value amounted to US$403,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2022, the global economy was still facing challenges. While the global economy has not yet recovered from the impact of the epidemic, the Russia-Ukraine conflict exacerbated the energy supply shock and other issues. The global economy is experiencing a slowdown in growth and a rise in inflation. The threefold pressure of shrinking demand, supply shock, and weakening expectations has caused continuous impact on the PRC's economy. After the outbreak of the Russia-Ukraine war, the U.S. and the West have imposed a series of sanctions on Russia, stimulating a sharp rise in oil prices. In the first half of 2022, Brent international oil prices fluctuated around US$100 per barrel, representing an increase of more than 60% as compared to the same period last year. With the uncertainty of the global economic outlook and the general trend of low-carbon transformation of the energy sector, oil companies were still cautious in their oil and gas exploration investments.

Facing external factors such as travel restrictions under the severe epidemic and supply cost shock, CMIC has planned proactively and reacted quickly. Each unit has adhered to its business objectives and actively seized market opportunities to fulfil orders and maintain steady development. In terms of traditional oil and gas energy equipment business, CMIC has spared no effort and has been actively expanding to new cooperation. On 18 July 2022, CMIC entered into a strategic cooperation framework agreement, and a new order of 4 sets of jacking system was placed with CTW (Tianjin) Offshore Engineering Co., Ltd. ("**CTW**"). CMIC and CTW have a good history of cooperation. A total of 6 sets of LIFTBOAT full jacking systems contracts were signed in 2022, bringing CMIC a total of approximately RMB156 million in sales orders. Through this strategic cooperation, both parties will make full use of their respective resource advantages and characteristics, improve product technology and quality, and optimize after-sales services to jointly provide better products and services for the offshore oil and gas and wind power markets.

With respect to offshore wind power installation and operation and maintenance, on 20 June 2022 and 15 July 2022, CMIC entered into a strategic cooperation agreement and a 3D Active Motion Compensated ("**AMC**") gangway system technology license and transfer agreement with KenzFigee, a leading Dutch offshore wind power heavy equipment company, respectively, to jointly create global offshore wind power hard technology products along the entire industry chain, mainly for the core equipment of large-scale wind power service operation vessels (SOVs) which are suitable for deep-sea operations, and jointly promote cost reduction and efficiency enhancement, and global marketing of offshore renewable energy core equipment.

In the hydrogen energy field, a joint venture for hydrogen energy technology, which is formally established by CMIC Green Hydrogen Technology Co., Ltd.* (華商氫能技術(青島)有限公司) ("**GHT**") and Tan Kah Kee Innovation Laboratory at Xiamen University, is working on the research and development and commercial production of large-capacity, high-current-density hydrogen production equipment, and is capable of providing standardized products and customized green hydrogen solutions. GHT has invested in CMIC Yiho Hydrogen Energy (Shenzhen) Co., Ltd.* (華商怡禾氫能(深圳)股份有限公司) ("**CMIC Yiho**"), to carry out businesses of core equipment for hydrogen refueling stations (including hydrogen compressors and hydrogen high-pressure storage tanks) and overall EPC solutions. Orders for the first stage of the hydrogen compressor assembling business have been delivered, and the production has started immediately taking full advantage of the existing production capacity, workshops, and personnel. GHT has invested in Shenzhen Intelligent Hydrogen Industry Co., Ltd.* (深圳智氫實業有限公司), and collaborated with other shareholders to create a new business model combining hydrogen energy vehicle operation and leasing, and established a hydrogen energy truck rental operation and logistics and transportation service platform in specific scenarios, such as domestic ports, parks, and municipal sanitation, to facilitate the implementation of hydrogen energy application scenarios. In addition, CMIC has made certain progress in technical cooperation with leading companies in the green energy industry from Netherlands and other European countries.

In respect of offshore engineering asset management business, CMIC's business has developed smoothly in the first half of the year. The drilling rig "Gulf Drill No. 6 (灣鑽6號)", which is managed and operated by CMIC, was inspected by the senior management of PEMEX, the national oil company of Mexico, and was encouraged by PEMEX to continue to become the best drilling rig. The leases for the rigs, "Gulf Drill No. 6 (灣鑽6號)" and "Gulf Drill No. 8 (灣鑽8號)" in Mexico have both secured contracts for the second phase, and are currently being actively tendered for subsequent lease renewals upon expiration in 2022.

In terms of coordination with strategic shareholders, the construction of the new 1,600-tonne series of wind power installation platform has commenced at the Haimen manufacturing base of China Merchants Industry Holdings Co., Ltd ("**CM Industry**") in Jiangsu Province, where CMIC is responsible for the design, manufacture and operation and maintenance of several large-scale core equipment. The platform is expected to be delivered for use in June 2023. Both parties are accelerating the cooperation in the field of ultra-large offshore wind power installation platform and operation and maintenance of mother ships to optimize and enhance the efficiency of system integration and to stabilize the operation cycle.

In the first half of 2022, under the leadership of CMIC's core management team, the sales revenue was US$51.1 million.

* *For identification purposes only*

FINANCIAL REVIEW

	Unaudited For the six months ended 30 June			
	2022	2021 (Restated)	Change	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**51,078**	22,629	28,449	125.7
Gross profit	**11,032**	8,042	2,990	37.2
Gross profit margin	**21.6%**	35.5%		
Profit from operations	**1,509**	10,787	(9,278)	(86.0)
Net profit attributable to equity shareholders	**1,662**	6,250	(4,588)	(73.4)
Net profit margin	**3.2%**	27.6%		
Earnings per share (basic and diluted)	**US0.05 cent**	US0.20 cent		

Revenue

The Group's revenue increased from US$22.6 million (restated) in the first half of 2021 to US$51.1 million in the first half of 2022. The increase in revenue was mainly due to business expansion and more orders being delivered.

Segment Information by Business Segments

	Unaudited For the six months ended 30 June					
	2022		2021 (Restated)		Increase	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Capital equipment and packages	**28,089**	**55.0**	6,547	28.9	21,542	329.0
Oilfield expendables and supplies	**18,236**	**35.7**	12,319	54.5	5,917	48.0
Management and engineering services	**4,753**	**9.3**	3,763	16.6	990	26.3
Total revenue	**51,078**	**100**	22,629	100.0	28,449	125.7

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects increased by 329.0% from US$6.5 million (restated) in the first half of 2021 to US$28.1 million in the first half of 2022, which was mainly due to an increase in product demand and more orders being delivered.

Oilfield Expendables and Supplies

The increase in revenue of oilfield expendables and supplies of 48.0% from US$12.3 million in the first half of 2021 to US$18.2 million in the first half of 2022 was mainly due to continuous rise in oil prices and increase in orders for oilfield expendables and supplies in North America and Mexico, as well as the increase in demand for mud pump in Mainland China.

Management and Engineering Services

Management and engineering services revenue increased from US$3.8 million in the first half of 2021 to US$4.8 million in the first half of 2022, which was mainly due to the increase in demand for rig management and maintenance service.

Gross Profit and Gross Profit Margin

Gross profit increased by 37.2% from US$8.0 million (restated) in the first half of 2021 to US$11.0 million in the first half of 2022. Gross profit margin decreased from 35.5% (restated) in the first half of 2021 to 21.6% in the first half of 2022. The increase in gross profit was mainly due the increase in revenue. The year-on-year decrease in gross profit margin was mainly due to a higher proportion of revenue generated from the sales of lower-margin products.

Other Revenue and Net Income

Other revenue and net income decreased by 91.3% or US$12.8 million from US$14.0 million (restated) in the first half of 2021 to US$1.2 million in the first half of 2022. The decrease was mainly due to the one-off gain on disposal of non-current assets classified as held for sale in 2021 amounting to US$11.4 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by US$0.2 million from US$1.1 million in the first half of 2021 to US$1.3 million in the first half of 2022. Selling and distribution expenses mainly comprised of sales staff salaries, commissions, marketing expenses including travel costs and other sales and promotional expenditure. The increase in selling and distribution expenses implies that business activities in the first half of 2022 were more active than the same period last year and there was an increase in revenue.

General and Administrative Expenses

General and administrative expenses of US$9.5 million in the first half of 2022 had no change compared to the same period of 2021 (restated).

Other Operating Expenses

The decrease in other operating expenses from US$651,000 in the first half of 2021 to US$34,000 in the first half of 2022 was mainly due to the write-off of unused value-added tax paid in previous years in the first half of 2021.

Finance Costs

Finance costs, being mainly interest on lease liabilities, amounted to approximately US$0.1 million in the first half of 2022, representing a decrease of US$0.3 million from US$0.4 million in the first half of 2021, which was mainly due to the decrease in other interest expenses.

Share of Profit of Joint Venture

The share of profit of joint venture slightly decreased from US$546,000 in the first half of 2021 to US$522,000 in the first half of 2022.

Group's Liquidity and Capital Resources

As at 30 June 2022, the carrying amount of the Group's tangible assets was approximately US$23.9 million (31 December 2021: US$26.0 million), including property, plant and equipment and investment properties.

As at 30 June 2022, the Group's intangible assets was approximately US$0.2 million (31 December 2021: US$0.2 million), interest in associates was approximately US$6.9 million (31 December 2021: US$1.2 million), interest in joint venture was approximately US$44.2 million (31 December 2021: US$43.1 million) and deferred tax assets was approximately US$0.9 million (31 December 2021: US$1.0 million).

As at 30 June 2022, the Group's current assets amounted to approximately US$147.5 million (31 December 2021: US$153.2 million). Current assets mainly comprised of inventories of approximately US$26.3 million (31 December 2021: US$33.4 million), trade and other receivables of approximately US$91.8 million (31 December 2021: US$64.7 million), lease receivables (current) of approximately US$7.1 million (31 December 2021: US$19.6 million), amounts due from related parties of approximately US$2.5 million (31 December 2021: US$ Nil), pledged bank deposits and time deposits of approximately US$1.6 million (31 December 2021: US$1.9 million) and cash and cash equivalents of approximately US$18.1 million (31 December 2021: US$33.5 million).

As at 30 June 2022, current liabilities amounted to approximately US$78.5 million (31 December 2021: US$79.2 million), mainly comprised of trade and other payables of approximately US$41.3 million (31 December 2021: US$42.3 million), tax payable of approximately US$3.5 million (31 December 2021: US$3.3 million), contract liabilities of US$27.3 million (31 December 2021: US$15.0 million) and lease liabilities (current) of approximately US$6.3 million (31 December 2021: US$18.5 million).

As at 30 June 2022, the Group had non-current liabilities of approximately US$2.3 million (31 December 2021: US$2.2 million), representing the 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 30 June 2022 was 35.5% (31 December 2021: 35.4%).

Capital Structure

As at 30 June 2022, the Company had 3,243,433,914 shares in issue and carried a share capital of approximately US$41,418,000. There was no issue of shares during the first six months of 2022.

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 because most of the Group's subsidiaries in the PRC carrying out production locally used Renminbi while approximately 50% of the Group's revenue was denominated in United States dollars. As at 30 June 2022, no related hedges were made by the Group.

In order to mitigate that foreign exchange exposure, the Company may utilize 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.

Employees and Remuneration Policy

As at 30 June 2022, the Group had a total of 428 full-time staff in the United States, the United Kingdom, Brazil, Mexico, Singapore, Hong Kong and Mainland China. The remuneration of an employee under the Group's remuneration policy is basically determined based on the individual employee's performance and market conditions. The Group also provides other benefits to all of its employees, including medical schemes, pension contributions scheme, share award incentive scheme etc.

STRATEGY AND PROSPECTS

Industry Review

Looking back the first half of 2022, the global economy has been facing unprecedented changes, and the international political landscape has also undergone extreme changes. Among them, the escalation of geopolitical conflicts and the pain of energy transition have made the black swan and gray rhino events intertwined in the global energy field. At present, the price of crude oil has entered a high range, and Brent international crude oil price has fluctuated around US$100/barrel and has a tendency to rise. In the first half of 2022, world oil demand increased by approximately 3 million barrels per day to 100.45 million barrels per day, representing a year-on-year growth rate of 3%.

Since 2022, the "offshore market" has ushered in a recovery cycle. The Clarksons Offshore Freight Index has surpassed the pre-pandemic level, and the global drilling market has shown a recovery trend. The number of offshore drilling rigs operating globally in the first quarter increased by 3%, of which self-elevating drilling rigs rose 2% and floating drilling rigs rose 7%. The utilization rate of drilling rigs in early April increased by 2 percentage points month-on-month to 81%, the highest level in 6 years. Drilling day rates accelerated and recorded the strongest month-on-month growth in the decade. Among them, the rate of floating drilling rigs has increased dramatically, which has increased by 60% since the beginning of 2021; the recovery momentum of self-elevating drilling rigs has also increased significantly, achieving a year-on-year increase of 13%.

Clarksons Research predicts that the growth in commissioning of offshore wind farms will slow down in 2022 but still remain at a historically high level. After the record-breaking and intensive commissioning of offshore wind farms in 2021, the scale of global offshore wind power commissioning is expected to increase by 17% in 2022 and reach 59.4GW at the end of the year. Currently, it is expected that 8.8GW of offshore wind farm capacity will be connected to the grid and put into production in 2022, and the scale of newly installed capacity will be second only to the record high level in 2021. This round of offshore wind power related vessels order cycle is still ongoing; the global offshore wind power market will generate more than 9,000 wind turbines hoisting demand, and the demand for wind power installation vessels and construction/operation and maintenance mother vessels will increase in the next few years. From the beginning of 2021 to the beginning of April 2022, a total of 30 newbuilding and retrofitting orders for wind power installation ships were signed worldwide, of which 7 newbuilding orders were signed in 2022. Contracts for construction/operation and maintenance mother ships remained stable. From the beginning of 2021 to the beginning of April 2022, there were 21 new orders for construction/operation and maintenance mother ships in the world, of which 6 were signed in 2022.

Since 2022, global investment in low-carbon hydrogen supply has been further increasing. In the first quarter of 2022, 75 new projects were announced with a total capacity of 11.1 million tonnes/year. The U.S. dominated global first-quarter project announcements with 51%, followed by Spain with 20%, Paraguay with 11% and Egypt with 8%. In the first quarter of 2022, global hydrogen energy investment mainly focused on green hydrogen projects, accounting for 95%. There are currently 37 low-carbon hydrogen projects with a scale of more than 0.1GW in the world. The Russian-Ukrainian war has heightened the urgency for countries transition to clean energy. In response to Russia's invasion of Ukraine, the European Union announced in March 2022 that it planned to increase consumption of hydrogen to further replace demand for Russian natural gas.

Gao Gong Industry Research Institute (高工產業研究院, GGII) predicts that the market demand for electrolyzed water hydrogen production equipment in China is expected to reach 730MW in 2022, doubling the growth rate in 2021; by 2025, the domestic market demand for electrolyzed water hydrogen production equipment will exceed 2GW, an increase of more than 6 times compared with 2020. If the current green hydrogen projects remain operational, there could be a huge supply gap for electrolytic cells by 2025.

According to H2Stations' statistical report on global hydrogen refueling stations, the plan to add 252 hydrogen refueling stations worldwide in 2022 has been preliminarily confirmed, which shows that the construction of the global hydrogen energy industry has entered a period of rapid development. In the first quarter of 2022, a total of 4,764 new energy heavy-duty trucks were sold, representing a year-on-year increase of 653%. Heavy-duty trucks are expected to become the easiest commercialization foothold for hydrogen fuel cell vehicles. Ports, terminals, and industrial parks are restricted by regional carbon emission policies, which will accelerate the process of replacing fuel-based heavy-duty trucks with hydrogen-powered heavy-duty trucks.

Hydrogen energy is an important part of China's energy system in the future, and an important carrier for energy terminals to achieve green and low-carbon energy. Since 2022, the national level has accelerated the introduction of relevant top-level designs to encourage the development of the hydrogen energy industry chain, and, at the same time, strengthened the development and terminal application of key components in manufacturing, storage, transportation, processing, and fuel cell stacks. On 23 March 2022, the National Development and Reform Commission of the People's Republic of China and the National Energy Administration jointly issued the "Medium and Long-Term Plan for the Development of Hydrogen Energy Industry (2021–2035)" (hereinafter referred to as the "**Plan**"). The Plan clarifies that hydrogen energy is an integral part of the future national energy system, giving full play to the clean and low-carbon characteristics of hydrogen energy, and promoting the green and low-carbon transformation of energy-consuming terminals such as transportation and industry, as well as high-energy-consuming and high-emission industries. At the same time, the Plan clarifies that hydrogen energy is the key direction of strategic emerging industries, and it is a new growth point for building a green and low-carbon industrial system and creating industrial transformation and upgrading.

Strategy, Prospects and Orders

In the first half of 2022, CMIC has continued to adhere to the dual driving forces of the oil and gas energy business and the new energy business, devoted itself to the decarbonization of the energy industry, and focused on offshore wind power and hydrogen energy to further develop in the renewable energy sector.

For the traditional oil and gas business, CMIC has continued to invest steadily in the high-end equipment manufacturing business and the offshore engineering asset management business in the first half of the year. CMIC will continue to conduct surveys on market and product demand, increase investment in research and development, and actively engage in business cooperation with large state-owned enterprises with good credit in core equipment such as drilling equipment, electronic control equipment, jacking equipment and cranes using flexible modes such as "lease and sale" or "financial leasing" to achieve profit improvement and continuous cash inflows. In the first half of the year, CMIC's business has developed smoothly. The rig under its management and operation was inspected by the senior management of the national oil company of Mexico and was highly praised. In addition, CMIC entered into a strategic framework cooperation agreement with CTW, a manufacturer of marine engineering technology research and development and marine engineering equipment. The parties will cooperate based on the construction of an offshore mobile platform (LIFTBOAT), jointly develop front-end customer resources, and focus on the back-end operation and maintenance service market for further development. CMIC will seize the opportunity of offshore engineering recovery and pay great attention to the hot spots of oil and gas and offshore engineering, especially to explore the resources of the Mexican market, and leverage the market resource advantages accumulated over the years to boost the sustainable development of business orders.

In respect of offshore wind power installation and operation and maintenance, CMIC has taken the 1,600-tonne wind power installation vessel project as the starting point to refine and build leading heavy-duty pile winding cranes, jacking equipment and full-ship electronic control products in China and the world. In the future, CMIC will cooperate with CM Industry to build the core equipment products of China Merchants Group Limited ("**CM Group**") for offshore wind power with its own intellectual property rights. CMIC has entered into a strategic cooperation agreement and a technology license and transfer agreement for 3D AMC gangway system with KenzFigee, a leading Dutch offshore wind power heavy equipment company, to accelerate the creation of global hard technology products in the whole offshore wind power industry chain, jointly promote cost reduction and efficiency enhancement and global marketing of offshore renewable energy core equipment and accelerate the transformation of green energy technology.

In the field of hydrogen energy, in terms of upstream hydrogen production, the electrolytic water hydrogen production project invested by GHT is steadily advancing into large-scale commercial production of new generation high-power and high-efficiency electrolytic water hydrogen production products. For midstream hydrogen processing, GHT carries out EPC business for hydrogen refueling stations through its associate CMIC Yiho. CMIC has fully utilized the existing production capacity, workshops, and personnel to swiftly organize the compressor product assembling business. In June this year, GHT invested in Shenzhen Intelligent Hydrogen Industry Co., Ltd.* (深圳智氫實業有限公司) to jointly create a new business model combining hydrogen energy vehicle operation and leasing and establish a hydrogen energy truck rental operations, and logistics and transportation service platform in specific scenarios such as domestic ports, parks, and municipal sanitation. The platform provides customers with green transportation solutions, provides more flexible and affordable options for large and medium-sized enterprises to fulfill their carbon reduction obligations, and realizes the implementation of downstream application scenarios of hydrogen energy. In the future, CMIC will actively develop hydrogen energy application scenarios, especially the expansion of relevant hydrogen energy application scenario projects of CM Group, and focus on the application of hydrogen energy scenarios such as ports, highways, ships, and logistics parks.

For internal standard management, CMIC will continue to strengthen and standardize the management process, further control costs and reduce expenses, and improve the distribution and incentive system to coordinate with CMIC's development in the second half of the year, so as to fully mobilize and motivate the management and employees.

* *For identification purposes only*

PLANS FOR FUTURE MATERIAL INVESTMENTS, ASSETS AND CAPITAL INTEGRATION

In the first half of 2022, CMIC will continue to seek potential resource integration and investment opportunities around the new energy and technology industry chain, focusing on the transformation opportunities in the fields of high-tech and high-end equipment such as offshore wind power and hydrogen energy.

In the field of traditional oil and gas energy, with the rise of international oil prices and the gradual recovery of the oil market, CMIC will continue to explore the Mexican oil market, and at the same time, based on the existing offshore asset management business, actively seek opportunities in potential expansion of offshore asset management business project. CMIC has signed a strategic framework cooperation agreement with CTW, an offshore engineering technology research and development and offshore engineering equipment manufacturer. Both parties will jointly promote their respective advantages in their respective fields, develop opportunities, deepen exchanges, and achieve win-win cooperation.

In the field of offshore wind power installation and operation and maintenance, CMIC has signed a comprehensive strategic cooperation agreement for offshore renewable energy core equipment and a technology license transfer agreement for 3D AMC gangway system with KenzFigee, a leading Dutch offshore wind power heavy equipment technology company. The two parties will jointly promote the cost reduction and efficiency increase of core equipment for offshore wind power installation and operation and maintenance and the global market promotion, and accelerate the CMIC's process of building the hard technology leader in the global offshore wind power industry chain and the transformation of green energy technology.

In the field of hydrogen energy industry, CMIC focuses on the manufacture of core equipment for hydrogen refueling stations and the establishment of a sales network for hydrogen refueling equipment through the investment in CMIC Yiho. In June 2022, CMIC invested and established Shenzhen Intelligent Hydrogen Industry Co., Ltd.* (深圳智氫實業有限公司), integrated the advantages of multiple industries and finance, jointly created a new business model combining hydrogen energy vehicle operation and leasing, and established a new energy truck leasing operation and logistics transportation service platform in specific scenarios such as domestic ports, parks, and municipal sanitation to provide customers with low-carbon and green shipping solutions.

* *For identification purposes only*

In the field of hydrogen energy, CMIC has achieved a preliminary layout in hydrogen production, hydrogen refueling and application scenarios. In the future, CMIC will continue to focus on offshore wind power installation and core equipment operation and maintenance, floating wind power, and hydrogen energy industries, continue to work hard to find projects with high synergy and sustainable development. By expanding the business direction and creating a new profit model, we will inject the Group with new business elements and market attention, improve the financial performance of CMIC, and thus provide a solid foundation for future performance growth.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

RE-DESIGNATION OF CO-CHAIRMAN, APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND NON-EXECUTIVE DIRECTOR

- Mr. Jiang Bing Hua ceased to act as the co-chairman of the Company and was appointed as the chief executive officer of the Company with effect from 26 January 2022.

- Mr. Mei Xianzhi was appointed as a non-executive Director with effect from 6 June 2022.

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 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 2022 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. No grant was made for the six months ended 30 June 2022 under the Share Award Plan 1. As at the date of this announcement, 8,446,456 shares (representing approximately 0.3% of the issued share capital of the Company) 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 of Plan 2**"). 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 of Plan 2**") 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 of Plan 2. 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 of Plan 2 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 2022, the trustee did not purchase any share on the Stock Exchange pursuant to the Share Award Plan 2 and no grant was made. As at the date of this announcement, 62,052,544 shares (representing approximately 1.9% of the issued share capital of the Company) 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 approved the adoption of the Share Award Incentive Scheme on 27 May 2016 by the shareholders by poll at the annual general meeting, 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 issues, purchases or grants of shares under Share Award Incentive Scheme were made for the six months ended 30 June 2022. As at 30 June 2022, 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 2022, 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 (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to the required standard of dealings by the Directors as referred to in Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

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

	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**	**capital** *(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 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to the required standard of dealings by the Directors as referred to in Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, the following persons had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

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)*
CM Group *(Note 1)*	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
CM Industry *(Note 1)*	Corporate	1,530,372,000	47.18
China Merchants Great-Wall GP Limited *(Note 1)* ("**Fund GP**")	Corporate	1,530,372,000	47.18
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.) *(Note 1)* ("**Fund LP**")	Corporate	1,530,372,000	47.18
Prime Force Investment Corporation *(Note 1)* ("**Prime Force**")	Beneficial Owner	1,530,372,000	47.18
Minyun Limited	Beneficial Owner	284,751,000	8.78

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the shareholding *(Note 4)*
China International Marine Containers (Group) Co., Ltd. *(Note 2)* (“**CIMC Group**”)	Corporate	185,600,000	5.72
China International Marine Containers (Hong Kong) Ltd. *(Note 2)* (“**CIMC 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.

   CM Industry holds 99.96% of the equity interest in Fund LP, and is a wholly-owned subsidiary of CM Steam Navigation, which in turn 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.

4. The percentage is calculated on the basis of 3,243,433,914 shares in issue as at 30 June 2022.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2022, 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 as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

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 2022.

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 2022 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 2022.

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 2022.

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 the 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 2022, 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 2022, 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 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the 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 in accordance with the Listing Rules.

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 2022.

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

Hong Kong, 26 August 2022

As of the date of this announcement, the Board comprises 2 executive Directors, namely Mr. Jiang Bing Hua and Mr. Zhang Menggui, Morgan; 6 non-executive Directors, namely Mr. Lou Dongyang, Mr. Wang Jianzhong, Ms. Fu Rui, Mr. Huang Jin, Mr. Liu Jiancheng and Mr. Mei Xianzhi; and 4 independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.