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 2022

HIGHLIGHTS

- Revenue amounted to approximately US$113.0 million for the year ended 31 December 2022, representing an increase of 98.2% as compared with 2021;
- Gross profit amounted to approximately US$27.7 million for the year ended 31 December 2022, representing an increase of 34.3% as compared with 2021;
- Gross profit margin decreased from 36.2% for 2021 to 24.5% for 2022, representing a decrease of 11.7 percentage points as compared with 2021;
- Profit attributable to equity shareholders of the Company amounted to approximately US$25.9 million for the year ended 31 December 2022, representing an increase of 180.7% from US$9.2 million for 2021; and
- The Board proposed to declare a final dividend of HK$0.01 per share for the year ended 31 December 2022.

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 2022 (the "**Year**") together with the comparative figures for the year ended 31 December 2021 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Revenue	*3*	**113,040**	57,027
Cost of sales		**(85,294)**	(36,363)
Gross profit		**27,746**	20,664
Other revenue and net income	*4*	**3,618**	4,723
Selling and distribution expenses		**(2,693)**	(3,914)
General and administrative expenses		**(21,934)**	(19,775)
Other operating expenses		**(2,571)**	(1,919)
Reversal of impairment losses on trade debtors, bills receivables and lease receivables		**3,152**	3,418
Gain on disposal of non-current assets classified as held for sale	*5(b)*	**–**	11,407
Profit from operations		**7,318**	14,604
Finance costs	*5(a)*	**(161)**	(489)
Share of profits less losses of associates		**(47)**	255
Share of profit of joint venture	*5(c)*	**19,345**	1,370
Profit before taxation	*5*	**26,455**	15,740
Income tax expenses	*6*	**(565)**	(6,396)
Profit for the year		**25,890**	9,344
Attributable to:			
Equity shareholders of the Company		**25,879**	9,220
Non-controlling interests		**11**	124
Profit for the year		**25,890**	9,344
Earnings per share	*8*		
Basic and diluted		**US0.82 cent**	US0.29 cent

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	US$'000	*US$'000*
Profit for the year	**25,890**	9,344
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)	**(64)**	112
– Share of other comprehensive income of joint venture (with nil tax effect)	**2,358**	1,026
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)*	**(7,736)**	2,559
Other comprehensive income for the year	**(5,442)**	3,697
Total comprehensive income for the year	**20,448**	13,041
Attributable to:		
Equity shareholders of the Company	**20,458**	12,850
Non-controlling interests	**(10)**	191
Total comprehensive income for the year	**20,448**	13,041

* Included exchange loss on translation of financial statements of associates of US$330,000 (2021: exchange gain of US$20,000).

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment		**20,904**	24,061
Investment properties		**1,552**	1,928
Intangible assets		**1,139**	195
Interest in associates		**6,810**	1,165
Interest in joint venture	*9*	**4,166**	43,123
Other financial assets		**281**	345
Prepayments		**182**	261
Lease receivables		**2,183**	4,638
Deferred tax assets		**1,579**	964
		38,796	76,680
Current assets			
Inventories	*10*	**36,240**	33,391
Trade and other receivables	*11*	**164,704**	64,686
Lease receivables		**12,800**	19,632
Tax recoverable		**148**	146
Pledged bank deposits		**1,071**	1,851
Cash and cash equivalents		**24,915**	33,511
		239,878	153,217

	Note	2022 US$'000	2021 US$'000
Current liabilities			
Trade and other payables	*12*	**59,576**	42,331
Contract liabilities		**29,822**	15,003
Lease liabilities		**14,657**	18,536
Tax payable		**4,061**	3,289
		108,116	79,159
Net current assets		**131,762**	74,058
Total assets less current liabilities		**170,558**	150,738
Non-current liabilities			
Lease liabilities		**1,532**	2,160
NET ASSETS		**169,026**	148,578
CAPITAL AND RESERVES			
Share capital		**41,418**	41,418
Reserves		**127,749**	107,291
Total equity attributable to equity shareholders of the Company		**169,167**	148,709
Non-controlling interests		**(141)**	(131)
TOTAL EQUITY		**169,026**	148,578

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.

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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contract – cost of fulfilling a contract*
- Amendments to HKFRS 3, *Business combinations: Reference to the conceptual framework*
- Annual Improvements to HKFRSs 2018–2020 Cycle

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, and offshore wind power installation vessels; 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:

	2022	2021
	US$'000	*US$'000*
Sales of capital equipment and packages	**58,924**	24,271
Sales of oilfield expendables and supplies	**40,699**	21,034
Management and engineering service fee income	**10,564**	6,762
Rental income arising from leases of capital equipment classified as operating leases	**2,102**	3,351
Gain on sub-leasing of drilling rigs classified as finance leases	**457**	963
Interest income from sub-leasing of drilling rigs classified as finance leases	**294**	646
	113,040	57,027

4 OTHER REVENUE AND NET INCOME

	2022	2021
	US$'000	*US$'000*
Interest income	**1,217**	851
Finance income from lease receivables	**1,305**	1,353
Rental income	**692**	595
Net foreign exchange loss	**(818)**	(1,109)
Government grant *(note)*	**344**	1,118
Reversal of accruals in connection with settlement of sale and purchase contracts	**–**	996
Others	**878**	919
	3,618	4,723

Note: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

In 2022 and 2021, government grant also 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.

5 PROFIT BEFORE TAXATION

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

	2022	2021
	US$'000	*US$'000*
(a) Finance costs		
Interest on lease liabilities	**684**	1,515
Less: Interest on lease liabilities relating to sub-leasing of drilling rigs included in costs of sales	**(523)**	(1,026)
	161	489

(b) 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 US$37,975,000). The aggregate carrying amount of all disposed land and buildings and related plant and machinery and office equipment, furniture and fixtures was US$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 US$11,407,000, after the recognition of related tax expenses (excluding land appreciation tax) of US$3,171,000, was credited to profit or loss for the year ended 31 December 2021.

(c) Share of profit of joint venture

During the year ended 31 December 2022, the joint venture has completed the disposal of two rigs at an aggregate consideration of US$190,000,000. As a result, share of gain on disposal of these rigs of US$18,062,000 was included in share of profit of joint venture for the year ended 31 December 2022.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	US$'000	*US$'000*
Current tax		
Provision for the year		
– The PRC enterprise income tax	**615**	864
– The PRC Land Appreciation Tax	**–**	3,716
– Overseas corporation income tax	**439**	326
	1,054	4,906
Under/(over)-provision in respect of prior years	**188**	(77)
	1,242	4,829
Deferred tax		
Origination of temporary differences	**(677)**	1,567
	565	6,396

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% (2021: 25%) and certain PRC subsidiaries are subject to tax at a reduced rate of 15% (2021: 15%) under the relevant PRC tax rules and regulations.

7 DIVIDEND

Dividend payable to equity shareholders of the Company attributable to the year:

	2022	2021
	US$'000	*US$'000*
Final dividend proposed after the end of the reporting period of HK$0.01 (2021: HK$Nil) per ordinary share including the shares held under share award plans	**4,158**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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 US$25,879,000 (2021: US$9,220,000) and the weighted average number of 3,172,935,000 (2021: 3,171,607,000) ordinary shares in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**3,243,434**	3,243,434
Effect of shares held for share award scheme (including the effect of shares granted under share award scheme)	**(70,499)**	(71,827)
Weighted average number of ordinary shares at 31 December	**3,172,935**	3,171,607

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2022 and 2021 because there were no potential dilutive ordinary shares outstanding.

9 INTEREST IN JOINT VENTURE

	2022	2021
	US$'000	*US$'000*
Share of net assets	**4,166**	43,123
Amount due from joint venture (included in trade and other receivables) *(note 11)*	**60,723**	148

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	US$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:

	2022	2021
	US$'000	*US$'000*
Raw materials	**7,605**	5,768
Work in progress	**19,075**	12,843
Finished goods	**9,560**	14,780
	36,240	33,391

11 TRADE AND OTHER RECEIVABLES

	2022	2021
	US$'000	*US$'000*
Trade debtors and bills receivables	**138,262**	113,878
Less: loss allowance	**(57,448)**	(61,990)
	80,814	51,888
Other receivables, prepayments and deposits	**23,349**	12,906
Amount due from joint venture *(note 9)*	**60,723**	148
Amount due from an associate	**–**	5
	164,886	64,947
Less: Non-current portion of prepayments	**(182)**	(261)
	164,704	64,686

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:

	2022	2021
	US$'000	*US$'000*
Current	**60,626**	35,739
Less than 1 month past due	**2,609**	2,492
More than 1 month but within 3 months past due	**2,336**	1,214
More than 3 months but within 12 months past due	**6,634**	2,432
More than 12 months but within 24 months past due	**106**	1,003
More than 24 months past due	**8,503**	9,008
Amounts past due	**20,188**	16,149
	80,814	51,888

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 TRADE AND OTHER PAYABLES

	2022	2021
	US$'000	*US$'000*
Trade creditors and bills payables	**43,683**	28,248
Other payables and accrued charges	**15,893**	13,510
Amount due to an associate	**–**	573
	59,576	42,331

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:

	2022	2021
	US$'000	*US$'000*
Within 1 month	**24,720**	16,177
More than 1 month but within 3 months	**7,412**	2,346
More than 3 months but within 12 months	**4,968**	2,909
More than 12 months but within 24 months	**1,340**	1,757
More than 24 months	**5,243**	5,059
	43,683	28,248

13 COMMITMENTS

During the year ended 31 December 2022, the Group set up two associates in Mainland China with the purpose of manufacturing equipment of hydrogen refuelling station and leasing of hydrogen energy equipment. As at 31 December 2022, the Group committed to contribute cash of RMB19,000,000 (equivalent to approximately US$2,868,000) to these two new associates as capital.

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 US$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 2022, the global COVID-19 pandemic was still with us. Yet, major economies around the world gradually reopened and extensively launched their growth packages, and there was a slow economic recovery, an accelerated inflation, and a decline in the growth rate of unemployment globally. The global crude oil market experienced significant volatility and continued to rise in the first half of the year due to factors such as the Russia-Ukraine conflict, before falling continuously in the second half of the year due to factors such as the impact of US monetary policies. The average spot price of Brent crude oil for the whole year was approximately US$100 per barrel, representing an increase of approximately 41% compared to 2021. As a result, the Company maintained steady growth in orders for supply chain management, spare part sales and technical services from the oil and gas business throughout the year.

As for energy equipment supporting – offshore engineering equipment manufacturing, the Company continued to take high-end equipment manufacturing as the entry point, and repeatedly applied the traditional advantages of cranes, lifting piles and electrical control system in the offshore engineering industry to large offshore wind power installation vessels. In 2022, the Company successively won large orders for core equipment of wind power installation platforms, and has recently signed sales contracts with China Merchants Heavy Industry (Jiangsu) Co., Ltd. (招商重工(江蘇)有限公司), a subsidiary of China Merchants Industry Holdings Co., Ltd. ("**CM Industry Group**"), Yantai CIMC Raffles Offshore Engineering Co., Ltd. and China Merchants Marine Equipment Research Institute Co., Ltd. respectively for jacking systems of large offshore wind power installation platforms. In the future, CMIC will continue to give full play to its strengths in specialization, refinement, uniqueness and innovation, hold high China Merchants Group Limited ("**CM Group**")'s banner for green new energy, and head towards the "double carbon" strategic objective of our country. To this end, it will actively collaborate with CM Group's internal quality resources to provide customers with better products and services.

In respect of energy equipment supporting – the wind power business, the Company has actively pursued business transformation and new product investment, and signed a technological cooperation agreement on core offshore wind power operation and maintenance equipment with KenzFigee, a leading Dutch offshore wind power heavy equipment company. By virtue of this cooperation, the Company will be able to provide core equipment and technology services for 3D AMC to be applied in offshore wind power installation and replacement and on service operation vessels (SOVs), thereby satisfying the rapidly growing offshore wind power installation and operation & maintenance market in China and across the world, and contributing to the development of shipbuilding business and the breakthrough in domestic R&D of key and core technologies. Meanwhile, the Company accelerated its business expansion to cover the whole industry chain of offshore and deepwater green wind power business, and successfully won the tender for the key systems of an European deepwater floating wind power project, strengthening its leading position in the offshore wind power key equipment sector.

The green energy technology development business segment continued to improve its business layout. In 2022, the Company successively invested in companies engaged in the manufacture of core equipment for hydrogen refueling stations and the operation and leasing of hydrogen energy vehicles, in order to expand its presence alongside the upstream and downstream of the hydrogen industry chain, with a view of tapping into the manufacture of core equipment for hydrogen refueling stations and the operation and leasing of hydrogen energy vehicles, thus taking shape of its business layout along the hydrogen industry chain. In 2022, the Company successfully delivered the 500KG assembled membrane hydrogen compressor, marking CMIC Yiho Hydrogen Energy (Shenzhen) Co., Ltd. (華商怡禾氫能(深圳)股份有限公司)'s formal entry into the hydrogen refueling station equipment business.

In 2022, 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. Both units of rigs built for PEMEX, the national oil company of Mexico, have been highly appreciated by the customers, for which the contracts 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.

With technology innovation as the principal axis for its driving force enhancement, the Company has newly set up functional departments at the headquarters level for the Institute of Science and Technology Innovation and convened the Group's first science and technology working meeting, marking the beginning of a new strategic phase of technology innovation. We insist on mindset innovation and innovative team building, give full play to the Company's advantage in technology accumulation in the field of high-end equipment manufacturing, and integrate the advantage of the century-old enterprise culture of CM Group. Leveraging on the financing platform of the listed company, we focus on core competitiveness building in four directions, namely expansion and extension of existing businesses, practicing the "double carbon" strategy of our country, and new trends and tracks for future industrial development, so as to enhance our technological innovation capabilities to provide a driving force for CMIC's enhancement in global competitiveness and sustainable development.

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 2022, 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$113.0 million and US$25.9 million, representing a year-on-year increase of 98.2% and 180.7%, respectively.

FINANCIAL REVIEW

	2022	2021	Increase/(decrease)	
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**113,040**	57,027	56,013	98.2
Gross profit	**27,746**	20,664	7,082	34.3
Gross profit margin	**24.5%**	36.2%		
Profit from operations	**7,318**	14,604	(7,286)	(49.9)
Net profit attributable to equity shareholders	**25,879**	9,220	16,659	180.7
Profit for the year	**25,890**	9,344	16,546	177.1
Net profit margin	**22.9%**	16.4%		
Earnings per share (Basic and diluted)	**US0.82 cent**	US0.29 cent	US0.53 cent	182.8

Segment Information by Business Segments

	2022		2021		Increase/(decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Capital equipment and packages	**61,026**	**54.0**	27,622	48.4	33,404	120.9
Oilfield expendables and supplies	**40,699**	**36.0**	21,034	36.9	19,665	93.5
Management and engineering services	**11,315**	**10.0**	8,371	14.7	2,944	35.2
Total revenue	**113,040**	**100.0**	57,027	100.0	56,013	98.2

Revenue arising from the sale of capital equipment, expendables and supplies related to renewable energy business was around US$49.3 million (representing 43.6% of the total revenue) where US$63.7 million from traditional energy sector for the year 2022. Compared with last year, there is only US$3.2 million (representing 5.6% of the total revenue) revenue arising from renewable energy business.

Capital Equipment and Packages

Revenue recognised in capital equipment and packages projects increased by 120.9% from US$27.6 million in 2021 to US$61.0 million in 2022 mainly because some orders for wind power renewable energy of larger contract amounts were completed and delivered in 2022, resulting in an overall amount higher than last year.

Oilfield Expendables and Supplies

The increase of 93.5% from US$21.0 million in 2021 to US$40.7 million in 2022 for oilfield expendables and supplies was mainly due to the year-on-year increase in orders for oilfield consumables and materials from the Mexico and Mainland China markets in the wake of the continuous rise in oil prices.

Management and Engineering Services

Management and engineering services revenue increased from US$8.4 million in 2021 to US$11.3 million in 2022. It was mainly due to the increased demands for upgrading of land drilling rigs and relevant supporting services from the Mexico market.

Segment Information by Geographical Regions

	2022		2021		Increase/(decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Hong Kong Special Administrative Region	**2**	**–**	26	–	(24)	(92.3)
Mainland China	**79,067**	**70.0**	31,049	54.4	48,018	154.7
North America	**5,774**	**5.1**	3,422	6.0	2,352	68.7
South America	**20,637**	**18.3**	18,287	32.1	2,350	12.9
Europe	**934**	**0.8**	178	0.3	756	424.7
Singapore	**923**	**0.8**	736	1.3	187	25.4
Indonesia	**102**	**0.1**	47	0.1	55	117.0
Middle East	**2,734**	**2.4**	1,469	2.6	1,265	86.1
Others	**2,867**	**2.5**	1,813	3.2	1,054	58.1
Total revenue	**113,040**	**100.0**	57,027	100.0	56,013	98.2

Gross Profit and Gross Profit Margin

The gross profit of US$27.7 million for the year of 2022 increased by US$7.0 million from US$20.7 million in the previous year. Gross profit margin decreased from 36.2% in 2021 to 24.5% in 2022. It was mainly because the revenue increased significantly over last year, resulting in a higher gross profit for the year compared to last year; however, projects with lower gross profit margin accounted for a larger proportion of the Group's total revenue, which resulted in a lower gross profit margin compared to last year.

Other Revenue and Net Income

Other revenue and net income decreased from US$4.7 million in 2021 to US$3.6 million in 2022. Such income includes interest income, rental income, financial income from lease receivables and local government subsidies.

Selling and Distribution, General and Administrative Expenses

Selling and distribution, general and administrative expenses increased by approximately 4% from US$23.7 million in 2021 to US$24.6 million in 2022. This increase was mainly due to the growth in the size of the business which led to an increase in business activities.

Other Operating Expenses

Other operating expenses increased from US$1.9 million in 2021 to US$2.6 million in 2022. The increase was mainly due to the growth in the size of the business which led to an increase in miscellaneous expenses.

Finance Costs

Finance costs, being interest on bank loans and interest on lease liabilities, decreased from US$0.5 million in 2021 to US$0.2 million in 2022.

Share of Profit of Joint Venture

Share of profit of joint venture increased by US$17.9 million from US$1.4 million in 2021 to US$19.3 million in 2022. It is mainly due to the investment income brought to the Group after the joint venture company disposed of the rigs.

Group's Liquidity and Capital Resources

As at 31 December 2022, the Group carried tangible assets of approximately US$22.5 million (2021: US$26.0 million) being property, plant and equipment and investment properties.

As at 31 December 2022, the Group's intangible assets were approximately US$1.1 million (2021: US$0.2 million). As at 31 December 2022, the Group's interest in associates was approximately US$6.8 million (2021: US$1.2 million), interest in joint venture was approximately US$4.2 million (2021: US$43.1 million) and deferred tax assets was approximately US$1.6 million (2021: US$1.0 million).

As at 31 December 2022, the Group's current assets amounted to approximately US$239.9 million (2021: US$153.2 million). Current assets mainly comprised inventories of approximately US$36.2 million (2021: US$33.4 million), trade and other receivables of approximately US$164.7 million (2021: US$64.7 million) and lease receivables (current) of approximately US$12.8 million (2021: US$19.6 million).

As at 31 December 2022, pledged bank deposits amounted to approximately US$1.1 million (2021: US$1.9 million) and cash and cash equivalents amounted to approximately US$24.9 million (2021: US$33.5 million).

As at 31 December 2022, current liabilities amounted to approximately US$108.1 million (2021: US$79.2 million), mainly comprised trade and other payables of approximately US$59.6 million (2021: US$42.3 million), and tax payable of approximately US$4.1 million (2021: US$3.3 million). Contract liabilities amounted to US$29.8 million (2021: US$15.0 million) and current lease liabilities amounted to approximately US$14.7 million (2021: US$18.5 million).

As at 31 December 2022, the Group had non-current liabilities of approximately US$1.5 million (2021: US$2.2 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 2022 was 39.3% (2021: 35.4%).

Significant Investment and Disposals

During the year ended 31 December 2022, the Group set up three associates in Mainland China for considerations of RMB60,000,000 (equivalent to approximately US$8,946,000) in total with the purpose of manufacturing equipment of hydrogen refuelling station and leasing of hydrogen energy vehicles. As at 31 December 2022, the Group paid RMB41,000,000 (equivalent to approximately US$6,113,000) and committed to contribute cash of RMB19,000,000 (equivalent to approximately USS$2,868,000) as capital.

Plans for Future Material Investments, Assets and Capital Integration

Except as disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at 31 December 2022.

Capital Structure

At 31 December 2022, there were 3,243,433,914 shares issued and the Company carried a share capital of approximately US$41,418,000. There was no issue of shares during the year.

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 20% of the Group's revenue was denominated in United States dollars. As at 31 December 2022 and 31 December 2021, 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 its revenues and associated costs of the Company 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.

Charge on Group's Assets

As at 31 December 2022, except for the pledged deposits, there was no charge on the other assets of the Group.

Contingent Liabilities

As at 31 December 2022, there was no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2022, the Group had a total of 442 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 all of its employees, including medical schemes, pension contribution schemes, share award incentive schemes etc.

The directors' remuneration shall be determined by the Board with the recommendation of the remuneration committee of the Company with reference to the prevailing market rate, experience, qualifications, contribution and commitments of directors to the Company, and is reviewed from time to time.

MARKET REVIEW AND PROSPECTS

Market Analysis of the Industry

Looking back on 2022, "global inflation" was the main issue of the world economy, three major causes to which are the Ukraine crisis, the impact of the pandemic and the games among great powers. The outbreak of Russia-Ukraine conflict early this year has strained the global supply chain and escalated energy and food prices, pushing up global inflation. This year also saw a boom in the oil and gas industry. Energy demand has soared as countries lifted quarantine restriction measures and opened their economies to the outside world early this year. This trend was exacerbated by the outbreak of the Russia-Ukraine conflict, which pushed the price of crude oil to US$130 per barrel. Although in the second half of the year, we saw a fall in oil price growth as major central banks tightened monetary policies, oil prices remained largely above US$80 per barrel throughout 2022, much higher than the average level of the last five years. Meanwhile, the price of European natural gas also reached a record €339/MWh in August due to the Russia-Ukraine conflict, more than 10 times the price of the same period last year.

Since higher inflation and rising interest rates gradually take hold, we are cautious about the prospects of global economic recovery in 2023. Oil prices will come under pressure in 2023 as the increasingly gloomy global economic prospect continues to weigh on crude oil consumption to some extent. However, with low global upstream oil and gas exploration capital expenditure dictating a low crude oil supply base as well as uncertainty over OPEC+ production policy and Russian oil supply, most analysts say oil demand is expected to grow significantly in the second half of 2023 if China relaxes COVID-19 restrictions and global central banks adopt less aggressive interest rate policies.

Based on forecasts from different institutions, we believe that the global crude oil market will remain tightly balanced and oil prices will remain at a medium-high range, with average prices fluctuating between US$80–100 per barrel. If the oil price is at medium-high level, the offshore engineering equipment market is expected to continue its positive trend, taking into account the digestion of previous inventory and the continuous expansion of offshore engineering industry scope. However, it shall not be overlooked that there is still a certain degree of uncertainty as to whether the end-use demand for crude oil will recover smoothly and whether the investment and tender enthusiasm of crude oil companies will continue.

In 2023, the offshore engineering equipment market is likely to continue its positive trend. The utilisation rate of various offshore engineering equipment is rising steadily, with drilling rigs, floating production rigs and various offshore engineering support vessels becoming increasingly active, and given that the previous inventory has largely been absorbed, the basis for a continued upturn in the offshore engineering industry is in place. The demand for drilling rigs will improve dramatically and the drilling rig market will continue to recover. As drilling rig supply has remained tight since 2014, the supply and demand of the drilling rig market became tense with daily rent rising to the highest level since 2015. In addition, major oil and gas companies conducted several rounds of bidding activities in 2022, which will promote further demand growth in the future. The outlook for the drilling rig market is expected to be positive in 2023. Global demand for jack-up rigs is expected to reach 418 by the end of 2023, an increase of 18% over the level in early 2022, and demand for floating rigs is also expected to grow by 19% in 2023, reaching 162 by the end of 2023.

Against the backdrop of low carbon and environmental protection, a clear goal is set for the long-term development of clean energy. Characterized by huge resource potential and relatively mature technology, offshore wind power will definitely be a main line of long-term development in the future. Global shipowners have increased their investment in large wind power installation vessels, with a new wave of orders for wind power installation vessels starting from 2020. In 2022, 96% of the new orders for wind power installation vessels were received for large wind power installation vessels with a lifting weight of over 1,200 tonnes. All the wind power installation vessels signed in this wave of orders will be delivered between 2023 and 2026. The offshore wind power operation and maintenance business will gradually increase in the future, and the demand for offshore wind power operation and maintenance facilities will also increase accordingly. The development of new operation and maintenance business will usher in a window period.

In 2022, issues such as energy shortage and environmental degradation continued to push the pace of new energy revolution, leading to a global synergy and accelerating the implementation of hydrogen energy projects in some countries. As hydrogen energy has become a core element for major economies in their carbon neutrality layout, they have been preparing a large number of new energy hydrogen production projects. According to a report of the Hydrogen Council, 131 large-scale hydrogen energy development projects have been initiated worldwide since February 2022. The total global investment in the field of hydrogen energy is expected to reach US$500 billion by 2030. The World Energy Council estimates that hydrogen energy may account for up to 25% of the global end-use energy consumption by 2050, and that hydrogen energy will account for more than 10% of China's end-use energy system by 2050. According to Bloomberg's forecast, as the price of carbon keeps rising, it will force steel, cement, petrochemicals and non-ferrous industries with high carbon emissions to convert to hydrogen energy. In addition, according to the forecast of State Grid, replacement by electric power is only suitable for low-level thermal carbon emissions, which account for approximately 20% in the whole industry, and it is more appropriate for 80% of thermal energy above 400℃ in the industrial sector to be replaced by hydrogen energy. According to estimates by the Hydrogen Energy Industry Alliance, the production value of hydrogen energy industry will reach RMB1 trillion by 2025, in which a large number of companies with technological innovation will develop and grow. By 2050, hydrogen energy will account for more than 10% of China's end-use energy system and the annual production value of the industry chain will amount to RMB12 trillion, becoming a new growth pole for economic development.

Corporate Development Strategy

In 2023, the Company's development strategy will adhere to the development of both energy equipment supporting and energy asset management service business and green energy technology development business. In terms of energy equipment supporting and energy asset management service business, we will focus on the high-end equipment manufacturing and digitisation services for shipbuilding and offshore supporting equipment, and onshore and offshore oil and gas, asset management services for the pan-energy sector, life-cycle engineering operation and maintenance and solutions for oil fields, and global supply chain services. In terms of green energy technology development, we will focus on integrated construction and engineering services for core equipment for offshore wind power installation and operation and maintenance, green energy service facilities, research and development of green hydrogen production technology and electrolysis tank equipment, and development of hydrogen energy application scenarios and technology promotion cooperation, etc.

Our business development strategy for energy equipment supporting business will continue to focus on high-end energy and shipbuilding and offshore supporting equipment manufacturing and build a whole chain of technical services for "design + manufacturing". We will provide our customers with core equipment manufacturing and overall solutions covering onshore and offshore oil, which have assured quality, independent intellectual property rights and high localization rate. In the offshore wind power field, we will continue to seize order opportunities at the close of current wave of offshore wind power installation boom, and actively deploy and conduct the research and development and trial production of offshore wind power operation and maintenance equipment as well as equipment for other emerging vessels, such as high-end vehicle ro-ro ships. The Company will maintain its focus on oil and gas hotspots such as the Mexican market, as well as sales opportunities in the domestic onshore oil and gas market in terms of rig upgrades and drilling spares.

Our development strategy for energy asset management service is committed to resuming growth in the traditional business and actively exploring a new landscape in the renewable energy business. In the traditional oil and gas sector, we will leverage the strategic opportunity period of the industry upturn to provide our customers with professional asset management services, engineering technology services and high-standard global supply chain management services. In the renewable energy sector, we will focus on carbon emission reduction technologies, offshore wind power and hydrogen energy. We will work with our strategic partners to actively research and reserve the carbon capture, utilization and storage (CCUS) and offshore floating wind power technology capabilities, and continue to follow up on offshore wind power hydrogen production and floating wind power hydrogen production demonstration projects, so as to lay a solid foundation for subsequent expansion of deep-sea hydrogen production application scenarios. We will introduce advanced new energy technologies from Europe and the United States, and export our new energy equipment overseas after localization, thereby extending our global supply chain to the new energy industry.

In the green energy technology development business segment, the overall business strategy of CMIC Green Hydrogen Technology Co., Ltd. (華商氫能技術(青島)有限公司) ("**GHT**") in 2023 will focus on vigorously promoting marketing and sales, with a view to achieving sales performance of hydrogen production from electrolytic water system, hydrogen refueling station compressor heads and assemblies, and hydrogen refueling station equipment packages as soon as possible, and giving full play to the unique advantages of international resources and shareholders' resources to accelerate the conversion of hydrogen energy performance. At present, the joint venture between GHT and Tan Kah Kee Innovation Laboratory will focus on the supply side of the large-capacity, high-current-density, high-efficiency alkaline electrolytic cells, striving to produce a demonstration model for application in projects this year. GHT will also continue to advance projects such as hydrogen compressors and EPC for hydrogen refueling stations to diversify business operations. Next, the Company will also strengthen the expansion of downstream application scenarios. On the one hand, it shall strengthen exchanges and cooperation with Europe and the United States on new hydrogen technologies, and on the other hand, through tying in with the scenario development of China Merchants' resources, it shall have the upstream hydrogen production and downstream application scenarios closely connected to realize an overall layout of the upstream and downstream industrial chain.

Advantages in Resources of CMIC

1. CMIC's own advantages in resources

With years of engagement in the oil and gas and offshore engineering industries, CMIC has addressed many technology and equipment "bottlenecks" in the industry. It has accumulated experiences in product design, manufacturing, engineering management and technical support, leading the industry in the aspects of deck cranes, lifting devices and electronic control systems, and receiving the long-term trust of customers thanks to its reliable and efficient quality. CMIC owns a comprehensive system for production base, production organization and quality control, which allows rapid commercial production of new high-end equipment and products. In terms of operation and maintenance services, CMIC has the capability and experience in product operation and maintenance in various onshore and offshore scenarios at home and abroad, which is conducive to the establishment and improvement of new product operation and maintenance service system as well as the provision of product operation and maintenance service support. In terms of marketing, as CMIC has been operating in Europe, North America, Southeast Asia, the Middle East, Latin America and other hotspots for hydrogen energy for years, it has extensive market resources and customer pipelines to quickly launch international sales of its products.

2. Advantages in resources of major shareholder

CM Group, the Company's major shareholder, is a large integrated state-owned conglomerate which is principally engaged in three core industries, namely transportation, finance, and comprehensive development and operation of cities and parks. In terms of transportation, the enterprises under China Merchants are involved in industry, port, shipping, transportation and logistics industries, which provide diversified application scenarios for the development of CMIC's energy equipment supporting, energy asset management service and green energy technology development businesses. In the future, CMIC will join hands with its associates to develop and create more application scenarios to support China Merchants' transformation to green and low-carbon production mode. In terms of industry, CMIC will cooperate with CM Industry Group to vigorously develop shipbuilding and offshore supporting business, energy asset management service and green energy technology development business, and create continuous order income. In terms of finance, CM Group has an integrated financial services platform comprising China Merchants Bank, China Merchants Leasing, China Merchants Capital and other companies. After pioneering the innovative model of "industry + finance" jointly with China Merchants Leasing in the wind power installation vessel project, CMIC will continue to deepen its cooperation with financial companies within China Merchants to extend this model to more projects and further explore more business models. In terms of comprehensive development and operation of cities and parks, as a leading tract developer in China, CM Group provides integrated solutions for urban development and industrial upgrading, as well as diversified products and services covering the entire life cycle of customers.

STRATEGY AND PROSPECTS

Market Review

Looking back on 2022, we saw a boom in the oil and gas industry. Energy demand has soared as countries lifted quarantine restriction measures and opened their economies to the outside world early this year. This trend was exacerbated by the outbreak of the Russia-Ukraine conflict, which pushed the price of crude oil to US$130 per barrel. Although in the second half of the year, we saw a fall in oil prices growth as major central banks tightened monetary policies, oil prices remained largely above US$80 per barrel throughout 2022, much higher than the average level of the last five years. Meanwhile, the price of European natural gas also reached a record €339/MWh in August due to the Russia-Ukraine conflict, more than 10 times the price of the same period last year.

In 2022, certain macro, geopolitical, supply and demand factors in the crude oil market exerted a tremendous influence on oil prices, which significantly fluctuated by up to 60% during the year. In the first half of the year, oil prices were generally on the rise, from a gradual climb to an accelerated upward trend, followed by a second peaking after a fall; in the second half of the year, oil prices leaped high then declined for times, and mainly fluctuated within a wide range. Specifically, in the second quarter, with the gradual escalation of sanctions against Russia by Europe and the United States, the EU discussed and determined the embargo on Russian oil, and geopolitical factors once again drove oil prices up. In the third quarter, the expected reduction in Russian oil production failed, and Russian oil shifted its crude oil export target from the Western to the Eastern countries through discounted sales and a change in exported countries. At the same time, due to a confluence of macro factors and under high inflation caused by oil price hiking, central banks in Europe and the United States entered a tightening cycle and began to raise interest rates sharply, leading to a fallback of overseas economies, sluggish demand and cooled supply-side concerns. As higher oil prices dampened consumption, major institutions have been lowering their demand forecasts for 2022 since July. In the end, the recovery of crude oil market demand in 2022 was generally around 1 million barrels per day lower than expected at the beginning of the year, and the crack spread of refined oil products began to fall from its high level.

Overall, oil and gas prices continued to run high in 2022, triggering a rapid recovery in the drilling industry. According to Clarkson, global drilling rig demand increased by 12% to 528 rigs from January to November 2022, well ahead of pre-pandemic levels. The utilisation rate of drilling rigs rose to 87%, representing an increase of 7 percentage points throughout the year, back to the level in April 2015. The two traditional hotspots in the offshore rig market made further progress. The Middle East saw a record 45 tenders for drilling rig leases this year, while South America saw a 43% increase in the average day rate for floating drilling rigs to US$350,000 per day at the end of the year due to robust drilling demand. Such recovery was not the only story in the offshore drilling rig market, as the onshore drilling rig market also saw a rapid recovery in 2022. As of 23 December, the number of active onshore oil drilling rigs in the United States reached 622, representing a cumulative increase of 141 rigs during the year, back to the average level of the past five years.

2022 was another year in which the offshore wind power market recorded a strong growth, with orders for new wind power vessels hitting a record high. According to Clarkson's latest report, 2022 marked a record year for investment in newly-built dedicated wind power vessels (wind turbine installation vessels, operation and maintenance vessels and personnel transfer vessels). Among them, a record 25 new wind turbine installation vessels (WTIVs) were ordered, an increase of 9% year-on-year, with total investment estimated at US$4.1 billion, an increase of 32% year-on-year. With the increase in wind turbine size, all WTIVs ordered in 2022 will be equipped with cranes of no less than or equal to 1,200 tonnes SWL.

According to Clarkson, Chinese shipowners accounted for the majority of WTIVs orders last year, with 21 vessels ordered, and the demand is expected to increase further by the end of 2025. And certain European shipowners, including Cadeler, were also ordering new vessels. In addition, the sector continued to attract new companies, with Maersk Supply Service placing its first order for WTIVs last year. In the Commissioning Service Operation Vessel (CSOV) field, on the other hand, a record 24 new vessels were ordered last year as well, an increase of 60% year-on-year. Order activities for CSOVs were particularly strong, with 20 new vessels ordered for the year. It is worth noting that all CSOVs ordered last year will be battery-equipped, and Windcat also ordered two hydrogen-powered dual-fuel CSOVs. Meanwhile, the wind power vessels market was further improved in 2022. The global average WTIV fleet utilisation rate was 69% in 2022, down by 14 percentage points year-on-year due to slower activities in China. Despite this, the average WTIV fleet utilisation rate in Europe increased by 11 percentage points to 84% and even reached 93% throughout the summer. As a result, the daily rent for the third generation WTIV for the third quarter of 2022 was assessed at €172,500, an increase of 6% year-on-year.

Looking ahead, Clarkson expects more than US$26 billion to be invested globally in building new offshore wind power vessels from now until the end of 2028, including US$21 billion for 70 WTIVs and a further US$5 billion for 90 CSOVs and transshipment vessels. In particular, China is expected to remain the dominant standalone market though Clarkson believes that other hotspots will be drivers of investment as well. Western and Northern Europe will continue to be major areas of demand for WTIVs, with over 7,000 wind power generating units expected to be installed across Europe by the end of 2030. Emerging industry markets such as the United States will also require for a large number of vessels.

In terms of vessel supply, among the new WTIVs and floating wind turbine base installation vessels (FIVs) and barges currently active in China, only 36 vessels are capable of installing 8–10MW wind turbine infrastructures, of which five are capable of installing 15–16MW wind turbines but not 18MW wind turbines. Analysts predict that the Chinese offshore wind power market will require for around ten large wind turbine and base installation vessels over the next decade, which means that at least five to ten large vessels will be needed.

The "Global Hydrogen Energy Review 2022" released by the International Energy Agency (IEA) reports that the development of hydrogen energy industry has been further accelerated by net-zero emission commitments by various countries and the global energy crisis. Currently, hydrogen energy has been widely regarded as an important option to achieve the goal of addressing climate changes. According to the data, global demand for hydrogen energy grew further to 94 million tonnes in 2021 (with an annual average of more than 1.6% increase over the last two years), accounting for around 2.5% of the total global end-use energy consumption. Based on the proactive policies and measures in place by governments, the IEA estimates that global demand for hydrogen energy could reach 115 million tonnes per year by 2030. In reality, however, to meet the climate commitments made by governments to date, the world will need approximately 130 million tonnes of hydrogen per year by 2030. To achieve net-zero emissions by 2050, the world would need nearly 200 million tonnes of hydrogen energy per year by 2030.

Green hydrogen is the ultimate ideal in terms of the hydrogen production market. Hydrogen production is a prerequisite for the utilisation of hydrogen energy, which can be classified as grey, blue or green hydrogen according to its carbon footprint. China is the world's largest hydrogen production country, with an annual production of approximately 33 million tonnes of hydrogen, of which approximately 12 million tonnes meet industrial hydrogen quality standards. In terms of hydrogen production, fossil-based hydrogen production and industrial by-product hydrogen are the main sources of hydrogen production in China, while solar energy and biomass-based hydrogen production are at the research and demonstration stage. The use of renewable energy for electrolytic hydrogen production is currently the only way to produce green hydrogen on a large scale. At present, the green hydrogen market only accounts for approximately 1% of hydrogen production market. With enhanced carbon emission constraints, increased technology maturity and improved infrastructures, the green hydrogen market is expected to account for 7% of hydrogen production market and exceed 2 million tonnes by 2025.

Hydrogen production from electrolytic water technology using hydrogen as energy storage carrier is an important development direction for the future energy storage industry. According to the "Hydrogen Production from Electrolytic Water Project Database in the PRC" (《中國電解水製氫項目數據庫》) of Gao Gong Industry Research Institute (GGII), the total hydrogen capacity of hydrogen production from electrolytic water projects under construction and as planned publicly in the PRC has reached 12.1GW since 2022, with 98.5% being renewable energy hydrogen production projects in terms of the source of electricity. Specifically, installed capacity of 1,327MW and 4,716MW are planned to be completed by 2023 and 2024 respectively, bringing the domestic hydrogen production from electrolytic water equipment market into a blowout development.

To seize the market opportunity, domestic companies with hydrogen production from electrolytic water equipment, including veteran players and new forces, have been expanding their production capacity. As of December 2022, there were more than 40 manufacturers with hydrogen production from electrolytic water equipment with real production capacity in the PRC, with a total nominal capacity of 12GW, according to GGII. Players in the industry continue to expand their production capacity in view of positive outlook for the future market.

In terms of the hydrogen refueling stations market, China has the world's largest number of hydrogen refueling stations and is experiencing rapid development. Although some hydrogen energy construction projects in the PRC were behind schedule in 2022 due to the epidemic, the number of new hydrogen refueling stations grew rapidly. By the end of 2022, more than 340 hydrogen refueling stations have been built in China, an increase of 46% year-on-year, including 106 stations built in 2022, an increase of 8% year-on-year. Based on the "Roadmap 2.0 for the Technology of Energy Conservation and New Energy Vehicles", China aims to have 1,000 hydrogen refueling stations by 2025 and over 5,000 between 2030 and 2035. According to statistics and the relevant hydrogen energy policies issued by 28 provinces and cities in the PRC, there will be a total of more than 1,960 planned hydrogen refueling stations by 2025, which far exceeds the target of 1,000 hydrogen refueling stations set by the roadmap 2.0 above.

Strategy and Prospects

In 2023, 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 energy equipment supporting and energy asset management service 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, hydrogen energy, smart electrical automation control, etc. and manufacturing technology industries, focus on new energy businesses such as shipbuilding and offshore supporting, 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 energy asset management service business, the Company's business developed smoothly in 2022. 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 2023, the Company will continue to seek opportunities to integrate the performing assets of offshore engineering and further expand and develop the offshore light asset 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 energy equipment supporting, 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 markets, 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 from the 1,600 tonnes 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 China Merchants with independent intellectual property right, so as to enhance the core competitiveness of the overall market.

From 2016 to the end of 2022, the policies related to hydrogen energy and hydrogen fuel cells issued at the national level will be promoted by about 40 highly relevant documents, which will orderly progress the trillion-dollar hydrogen energy market. 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, by serving the hydrogen refueling station as a hub, the upstream hydrogen production and downstream application scenarios are closely connected to realize the overall layout of the upstream and downstream industrial chain.

In 2023, the Company will continue to strengthen collaboration with strategic shareholders and business partners including CM Group, China International Machine Containers (Group) Co., Ltd., China State Shipbuilding Corporation Limited, etc., not only to "leverage" resources to open channels, but also to "assist" the common development of the industry. The Company will also seek collaborative development opportunities in terms of rig asset disposal, rig asset leasing lease and sales, business development in wind power market, equipment sales, project financing, expansion in the application scenarios of hydrogen energy etc.

In 2023, 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 "green energy technology". 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 future 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 energy equipment. Based on the existing energy asset service business, the Company will also seek potential opportunities to expand energy asset service business projects, proactively deploy and carry out R&D and trial production of operation and maintenance equipment for offshore wind power and other emerging ships, such as shipbuilding and offshore supporting equipment including high-end car ro-ro equipment. 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 Group'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.

SHARE AWARD PLANS

2015 Share Award Plan

The Company adopted a share award plan (the "**2015 Share Award Plan**") on 16 January 2015 (the "**2015 Plan Adoption Date**").

Purpose

The purpose of the 2015 Share Award Plan is to recognise and award the contributions of the 2015 Plan Eligible Persons (as defined below).

Participants

The remuneration committee of the Company may, in its absolute discretion, make an award to any employee (whether full time or part time) of the Group (excluding any directors and any core connected persons of the Company) (the "**2015 Plan Eligible Persons**").

Scheme Mandate

The total number of shares of the Company (the "**Shares**") that may be purchased and held by the trustee of the 2015 Share Award Plan in order to satisfy the outstanding awards from time to time made under the 2015 Share Award Plan should not exceed 3% of the total issued Shares at the 2015 Plan Adoption Date (i.e. 21,147,456 Shares) (the "**2015 Plan Limit**"). The 2015 Plan Limit represents approximately 0.65% of the total issued Shares as at the date of this announcement.

Maximum entitlement of each participant

No maximum entitlement of each 2015 Plan Eligible Person is specified under the 2015 Share Award Plan.

Exercise period

As the 2015 Share Award Plan is a share award plan of the Company instead of a share option scheme, the awards granted under the 2015 Share Award Plan are not subject to any exercise period nor are the 2015 Plan Eligible Persons entitled to any exercise rights.

Vesting period

The awards to be made under the 2015 Share Award Plan shall be subject to such vesting conditions and periods as may be determined by the Company.

Subscription/purchase price

No subscription/purchase price is payable by the 2015 Plan Eligible Persons upon acceptance of awards granted under the 2015 Share Award Plan.

Term

Subject to any early termination pursuant to the terms of the 2015 Share Award Plan, the 2015 Share Award Plan will remain in force for a period commencing on the 2015 Plan Adoption Date and ending on 15 January 2025.

Movement and position

There was no unvested award granted to the 2015 Plan Eligible Persons under the 2015 Share Award Plan as at 1 January 2022. No award was granted under the 2015 Share Award Plan for the year ended 31 December 2022. Accordingly, there was (i) no unvested award granted to the 2015 Plan Eligible Persons under the 2015 Share Award Plan as at 31 December 2022; and (ii) no award vested, cancelled or lapsed under the 2015 Share Award Plan during the year ended 31 December 2022.

2019 Share Award Plan

The Company adopted a share award plan (the "**2019 Share Award Plan**") on 31 October 2019 (the "**2019 Plan Adoption Date**").

Purpose

The purpose of the 2019 Share Award Plan is to recognise and reward the contribution of the 2019 Plan Eligible Persons (as defined below) towards the growth and development of the Group through the award of Shares.

Participants

The administration committee (which is delegated with the power and authority by the Board to administer the 2019 Share Award Plan) may, in its absolute discretion, make an award to any employee (whether full time or part time) of the Group, including directors, senior management and any other connected persons of the Company and any consultant of the Group (the "**2019 Plan Eligible Persons**").

Scheme Mandate

The total number of Shares that may be purchased and held by the trustee of the 2019 Share Award Plan in order to satisfy the outstanding awards from time to time made under the 2019 Share Award Plan should not exceed 3% of the total issued Shares at the 2019 Plan Adoption Date (i.e. 88,389,372 Shares) (the "**2019 Plan Limit**"). The 2019 Plan Limit represents approximately 2.73% of the total issued Shares as at the date of this announcement.

Maximum entitlement of each participant

No maximum entitlement of each 2019 Plan Eligible Person is specified under the 2019 Share Award Plan.

Exercise period

As the 2019 Share Award Plan is a share award plan of the Company instead of a share option scheme, the awards granted under the 2019 Share Award Plan are not subject to any exercise period nor are the 2019 Plan Eligible Persons entitled to any exercise rights.

Vesting period

The awards to be made under the 2019 Share Award Plan shall be subject to such vesting conditions and periods as may be determined by the Company.

Subscription/purchase price

No subscription/purchase price is payable by the 2019 Plan Eligible Persons upon acceptance of awards granted under the 2019 Share Award Plan.

Term

Subject to any early termination pursuant to the terms of the 2019 Share Award Plan, the 2019 Share Award Plan will remain in force for a period of 10 years commencing on the 2019 Plan Adoption Date and ending on 30 October 2029.

Movement and position

There was no unvested award granted to the 2019 Plan Eligible Persons under the 2019 Share Award Plan as at 1 January 2022. No award was granted under the 2019 Share Award Plan for the year ended 31 December 2022. Accordingly, there was (i) no unvested award granted to the 2019 Plan Eligible Persons under the 2019 Share Award Plan as at 31 December 2022; and (ii) no award vested, cancelled or lapsed under the 2019 Share Award Plan during the year ended 31 December 2022.

SHARE AWARD INCENTIVE SCHEME

A share award incentive scheme (the "**Share Award Incentive Scheme**") of the Company was adopted by way of ordinary resolution at the annual general meeting of the Company held on 27 May 2016 (the "**Incentive Scheme Adoption Date**").

Purpose

The purposes of the Share Award Incentive Scheme are (i) to align the interests of the Incentive Scheme Eligible Persons (as defined below) 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 Incentive Scheme Eligible Persons (as defined below) to make contributions to the long-term growth and profits of the Group.

Participants

The persons eligible to participate in the Share Award Incentive Scheme are any individual, being any employee (whether full-time or part-time employee) of any members of the Group or any affiliate (who is not a connected person of the Company), officer, consultant or advisor of any member of the Group or any affiliate (who is not a connected person of the Company) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group (the "**Incentive Scheme Eligible Persons**").

Scheme Mandate

The total number of new Shares underlying all grants made pursuant to the Share Award Incentive Scheme shall not exceed 3% of the total number of issued Shares as at the Incentive Scheme Adoption Date (i.e. 21,213,606 Shares) (the "**Incentive Scheme Limit**"). The Incentive Scheme Limit was approved by the shareholders of the Company at the annual general meeting of the Company held on 27 May 2016. The Incentive Scheme Limit represents approximately 0.65% of the total issued Shares as at the date of this announcement.

Maximum entitlement of each participant

No maximum entitlement of each Incentive Scheme Eligible Person is specified under the Share Award Incentive Scheme.

Exercise period

As the Share Award Incentive Scheme is a share award plan of the Company instead of a share option scheme, the awards granted under the Share Award Incentive Scheme are not subject to any exercise period nor are the Incentive Scheme Eligible Persons entitled to any exercise rights.

Vesting period

The Board shall determine from time to time such vesting criteria and conditions or periods for the award to be vested under the Share Award Incentive Scheme.

Subscription/purchase price

No subscription/purchase price is payable by the Incentive Scheme Eligible Persons upon acceptance of awards granted under the Share Award Incentive Scheme.

Term

Subject to any early termination pursuant to the terms of the Share Award Incentive Scheme, the Share Award Incentive Scheme shall be valid and effective for 10 years from the Incentive Scheme Adoption Date and ending on 26 May 2026.

Movement and position

No award was granted made under the Share Award Incentive Scheme since its adoption and hence no Shares may be issued under the Share Award Incentive Scheme during the year ended 31 December 2022. Accordingly, (i) there was no unvested award granted to the Incentive Scheme Eligible Persons under the Share Award Incentive Scheme as at 1 January 2022; (ii) no award was granted under the Share Award Incentive Scheme for the year ended 31 December 2022; and (iii) there was (a) no unvested award granted to the Incentive Scheme Eligible Persons under the Share Award Incentive Scheme as at 31 December 2022; and (b) no award vested, cancelled or lapsed under the Share Award Incentive Scheme during the year ended 31 December 2022.

21,213,606 awards and 21,213,606 awards were available for grant under the Incentive Scheme Limit as at 1 January 2022 and 31 December 2022, respectively.

Amendments to Listing Rules relating to share scheme of listed issuers became effective on 1 January 2023. As provided under the transitional arrangements, the Company can continue to make grants to participants eligible under the amended Chapter 17 of the Listing Rules under existing schemes until refreshment or expiry of the existing scheme mandates.

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 2022. The Company considered all the independent non-executive Directors are independent.

DIVIDEND

The Board proposed to declare a final dividend of HK$0.01 per share, totally approximately HK$32,434,339 for the year ended 31 December 2022 (2021: Nil). The proposed final dividend is subject to approval by the shareholders of the Company at the annual general meeting scheduled to be held on 19 May 2023 (the "**AGM**").

Subject to (a) the passing of an ordinary resolution by the Shareholders declaring and approving the payment of the final dividend out of the share premium account pursuant to the articles of association of the Company and (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the final dividend is paid, unable to pay its debts as they fall due in the ordinary course of business, the final dividend is intended to be paid out of the share premium account of the Company. The Board believes that the payment of the final dividend will not have any material adverse effect on the financial position of the Group and does not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

Subject to the passing of the resolution for the proposed final dividend at the AGM, the final dividend is expected to be paid on or before Friday, 23 June 2023 to the Shareholders whose names appear on the register of members of the Company on Thursday, 1 June 2023. The final dividend is declared and will be paid in HK$.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be duly completed and lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 15 May 2023.

To determine the entitlement of the Shareholders to receive the proposed final dividend, subject to the Shareholders' approval on the proposed final dividend at the AGM, the register of members of the Company will also be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfer share documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2023.

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 2022.

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 of Hong Kong Limited ("**Stock Exchange**") . For the year ended 31 December 2022, 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 2022. 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 2022 as set out in the preliminary results 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.

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 2022 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
CIMC Ocean En-Tech Holding Co., Ltd
Yu Zhiliang
Chairman

Hong Kong, 24 March 2023

As of the date of this announcement, the Board comprises one (1) executive Director, namely Mr. Yu Zhiliang; seven (7) non-executive Directors, namely Mr. Mei Xianzhi, Mr. Liu Jiancheng, Mr. Zhan Huafeng, Ms. Fu Rui, Mr. Wang Jianzhong, Mr. Zhang Menggui, Morgan, and Mr. Jiang Bing Hua; and four (4) independent non-executive Directors, namely Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhendong, Mr. Chen Weidong and Mr. Sun Dongchang.