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华商能源
CM Energy

CM Energy Tech Co., Ltd.
华商能源科技股份有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 206)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Revenue amounted to approximately US$181.3 million for the year ended 31 December 2023, representing an increase of 60.4% as compared with 2022;
- Gross profit amounted to approximately US$41.0 million for the year ended 31 December 2023, representing an increase of 47.8% as compared with 2022;
- Gross profit margin decreased from 24.5% for 2022 to 22.6% for 2023, representing a decrease of 1.9 percentage points as compared with 2022;
- Profit attributable to owners of the Company amounted to approximately US$9.5 million for the year ended 31 December 2023, representing a decrease of 63.3% from US$25.9 million for 2022; and
- The Board proposed not to declare a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board of the directors (the "**Board**") announces the audited consolidated results of CM Energy Tech Co., Ltd. (the "**Company**" or "**CM Energy**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 (the "**Year**") together with the comparative figures for the year ended 31 December 2022 as follows using United States dollars as presentation currency:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2023

	Notes	**2023** **US$'000**	2022 US$'000
Revenue	*3*	**181,337**	113,040
Cost of sales		**(140,340)**	(85,294)
Gross profit		**40,997**	27,746
Other income, gains and losses, net		**4,207**	3,618
Selling and distribution expenses		**(2,496)**	(2,693)
General and administrative expenses		**(25,454)**	(21,934)
Other expenses		**(822)**	(2,571)
Impairment losses under expected credit loss model, net of reversal		**(2,274)**	3,152
Profit from operations		**14,158**	7,318
Finance costs	*4(a)*	**(123)**	(161)
Share of results of associates		**(78)**	(47)
Share of results of a joint venture	*4(b)*	**(2)**	19,345
Profit before taxation	*4*	**13,955**	26,455
Income tax expense	*5*	**(4,346)**	(565)
Profit for the year		**9,609**	25,890
Attributable to:			
– Owners of the Company		**9,502**	25,879
– Non-controlling interests		**107**	11
Profit for the year		**9,609**	25,890
Earnings per share	*7*		
– Basic and diluted		**US0.30 cent**	US0.82 cent

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

	2023	2022
	US$'000	*US$'000*
Profit for the year	**9,609**	25,890
Other comprehensive income (expense) for the year:		
Items that will not be reclassified to profit or loss:		
– Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**837**	(64)
– Share of other comprehensive income of joint venture, net of related income tax	**325**	2,358
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	**(1,559)**	(7,736)
Other comprehensive expense for the year	**(397)**	(5,442)
Total comprehensive income for the year	**9,212**	20,448
Attributable to:		
– Owners of the Company	**9,113**	20,458
– Non-controlling interests	**99**	(10)
Total comprehensive income for the year	**9,212**	20,448

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 US$'000	2022 US$'000
Non-current assets			
Property, plant and equipment		**53,237**	20,904
Investment properties		**1,316**	1,552
Goodwill		**389**	–
Intangible assets		**1,743**	1,139
Interests in associates		**16,497**	6,810
Interest in a joint venture		**–**	4,166
Other financial assets		**5,422**	281
Prepayments		**888**	182
Lease receivables		**100**	2,183
Deferred tax assets		**1,854**	1,579
		81,446	38,796
Current assets			
Inventories	*8*	**39,950**	36,240
Trade and other receivables	*9*	**110,457**	164,704
Lease receivables		**15,479**	12,800
Tax recoverable		**146**	148
Pledged bank deposits		**5,457**	1,071
Cash and cash equivalents		**73,366**	24,915
		244,855	239,878

	Notes	**2023**	2022
		US$'000	*US$'000*
Current liabilities			
Trade and other payables	*10*	**60,185**	59,576
Contract liabilities		**34,165**	29,822
Lease liabilities		**29,707**	14,657
Tax payable		**4,284**	4,061
		128,341	108,116
Net current assets		**116,514**	131,762
Total assets less current liabilities		**197,960**	170,558
Non-current liabilities			
Lease liabilities		**22,136**	1,532
Net assets		**175,824**	169,026
Capital and reserves			
Share capital		**41,418**	41,418
Reserves		**133,623**	127,749
Total equity attributable to owners of the Company		**175,041**	169,167
Non-controlling interests		**783**	(141)
Total equity		**175,824**	169,026

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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

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**"), Singapore dollars ("**SGD**"), United States dollars ("**US$**") and Pound Sterling ("**GBP**"). In view of the Group operating 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 consolidated 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 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual period beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The Directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3 REVENUE

Disaggregation of revenue

Disaggregation of revenue by major products or service lines is as follows:

	2023	2022
	US$'000	*US$'000*
Revenue from customers within the scope of HKFRS 15		
Sales of equipments related to land and offshore drilling rigs and equipments related to offshore wind power installation platform and rigs	**99,337**	58,924
Sales of oilfield expendables and supplies and related installation services	**29,089**	40,699
Assets management and engineering service fee income	**18,889**	10,564
Sub-total	**147,315**	110,187
Revenue from other sources		
Rental income arising from leasing of land and offshore drilling rigs classified as operating leases	**2,037**	2,102
Rental income arising from sub-leasing of diving support construction vessels classified as operating leases	**30,825**	–
Gain on sub-leasing of land drilling rigs classified as finance leases	**858**	457
Interest income from sub-leasing of land drilling rigs classified as finance leases	**302**	294
Sub-total	**34,022**	2,853
Total	**181,337**	113,040

Segment reporting

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

• Equipment manufacturing and packages:	Design, manufacturing, installation and commissioning of equipments related to land and offshore drilling rigs and equipment related to offshore wind power installation platform and rigs, and leasing of self-owned land and offshore drilling rigs
• Supply chain and integration services:	Provision of supply chain and integration services in relation to oilfield expendables and supplies
• Assets management and engineering services:	Provision of assets management, engineering services and sub-leasing of land drilling rigs and diving support construction vessels

	Equipment manufacturing and packages		**Supply chain and integration services**		**Assets management and engineering services**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**101,374**	61,026	**29,089**	40,699	**50,874**	11,315	**181,337**	113,040
Inter-segment revenue	**52,899**	1,032	**2,759**	724	**588**	–	**56,246**	1,756
Reportable segment revenue	**154,273**	62,058	**31,848**	41,423	**51,462**	11,315	**237,583**	114,796
Reportable segment results	**9,255**	6,537	**3,317**	4,965	**3,181**	756	**15,753**	12,258

4 PROFIT BEFORE TAXATION

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

	2023	2022
	US$'000	*US$'000*
(a) Finance costs		
Interest on lease liabilities	**2,538**	684
Interest on consideration payable	**30**	–
Less: Interest on lease liabilities relating to sub-leasing of land drilling rigs included in costs of sales	**(558)**	(523)
Interest on lease liabilities relating to leased vessels included in cost of sales	**(1,887)**	–
	123	161

(b) Share of results of a joint venture

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

5 INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	2023	2022
	US$'000	*US$'000*
Current tax		
Provision for the year		
• The PRC enterprise income tax	**2,246**	615
• Overseas corporation income tax	**2,826**	439
	5,072	1,054
(Over)under provision in respect of prior years	**(298)**	188
	4,774	1,242
Deferred tax		
Origination of temporary differences	**(428)**	(677)
	4,346	565

Taxation for subsidiaries in jurisdictions is charged at the appropriate current rates of taxation ruling in relevant jurisdictions.

6 DIVIDEND

Dividend payable to owners of the Company attributable to the year

	2023	2022
	US$'000	*US$'000*
Propose to pay a final dividend of HK$nil (2022: HK$0.01) per ordinary share (including the shares held under share award scheme) subsequent to the end of the reporting period	**–**	4,158

Dividend proposed for the year ended 31 December 2022 was paid out of share premium account in 2023 to holders of ordinary shares of the Company during the year ended 31 December 2023 and no dividend has been proposed for the year ended 31 December 2023.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately US$9,502,000 (2022: US$25,879,000) and the weighted average number of ordinary shares in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'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 share granted under share award scheme)	**(70,499)**	(70,499)
Weighted average number of ordinary shares at 31 December	**3,172,935**	3,172,935

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2023 and 2022 because there were no potential dilutive ordinary shares outstanding.

8 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2023	2022
	US$'000	*US$'000*
Raw materials	**4,592**	7,605
Work in progress	**27,738**	19,075
Finished goods	**7,620**	9,560
	39,950	36,240

9 TRADE AND OTHER RECEIVABLES

	2023	2022
	US$'000	*US$'000*
Trade debtors and bills receivables	**126,020**	138,262
Less: Loss allowance	**(60,183)**	(57,448)
	65,837	80,814
Other receivables, prepayments and deposits	**22,967**	23,349
Amount due from controlling shareholder	**16,569**	–
Prepaid on behalf of fellow subsidiaries	**5,972**	–
Amount due from a joint venture	**–**	60,723
	111,345	164,886
Less: Non-current portion of prepayments	**(888)**	(182)
	110,457	164,704

Ageing analysis

The following is an aged analysis of trade debtors and bills receivables, net of allowance for credit losses, where trade debtors is presented based on the transaction date, and bills receivables is presented based on the bills issuance date at the end of the reporting period:

	2023	2022
	US$'000	*US$'000*
Trade debtors and bills receivables		
Within 3 months	**40,889**	51,532
More than 3 months but within 12 months	**13,693**	14,453
More than 12 months but within 24 months	**2,408**	5,941
More than 24 months	**8,847**	8,888
	65,837	80,814

The credit terms offered by the Group to its customers differ with each product/service. The credit terms offered to customers under the business segment of supply chain and integration services and assets and management and engineering services are normally 30 to 90 days. The credit terms offered to customers under the business segment of equipment manufacturing 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.

10 TRADE AND OTHER PAYABLES

	2023	2022
	US$'000	*US$'000*
Trade creditors and bills payables	**34,014**	43,683
Consideration payable for acquisition of a business	**754**	–
Other payables and accrued charges	**25,417**	15,893
	60,185	59,576

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables, based on invoice date, is as follows:

	2023	2022
	US$'000	*US$'000*
Within 1 month	**13,408**	24,720
More than 1 month but within 3 months	**7,235**	7,412
More than 3 months but within 12 months	**9,472**	4,968
More than 12 months but within 24 months	**1,592**	1,340
More than 24 months	**2,307**	5,243
	34,014	43,683

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy continues to slowly recover from the heavy blows of the COVID-19 pandemic and the Russian-Ukrainian war. The global monetary policy environment has tightened unprecedentedly, and the global economy is faltering forward and lacking momentum. In 2023, crude oil price showed an overall inverted "V-shaped" trend. In the first half of the year, affected by factors such as the continued interest rate hikes in Europe and the United States and the sluggish global economic environment, the price range of European and the United States crude oil gradually shifted downward. After May 2023, OPEC+ extended its oil production cuts, major oil-producing countries such as Saudi Arabia and Russia continued to reduce output, pushing oil prices to continue to rise in the third quarter and reaching a new high for the year. The Company followed the trend and successfully won the bidding of PEMEX onshore drilling rig upgrading project and top drive operation and maintenance service project in Mexico, with a total contract value of approximately US$163 million. The leases of drilling rigs namely "Gulf Driller VI" and "Gulf Driller VIII", which have been managed by the Company since 2019, have been extended to the end of 2025.

For hydrogen energy business, the Alkaline water electrolyzor hydrogen production equipment with output capacity of 1,000Nm^3/h was officially released in March 2023. The product breaks through traditional design, and features high efficiency and low cost, with performance leading the industry. In November, CM Energy increased its investment in CM Xiageng Hydrogen Energy Technology (Xiamen) Co., Ltd. ("**Huaxia Hydrogen**") again, and appointed Dr. Gao Xiaoping as chief scientist to further enhance the Company's innovation and scientific research capabilities. In response to China Merchants Group's call to fully promote low-carbon transformation and green development, the Company is actively planning for hydrogen-based fuel development opportunities to look for a breakthrough to enter the green technology industry.

For shipbuilding and offshore supporting equipment business, the Company has successively completed the delivery of different types of cranes for five projects. Among them, the 1,600T crane is the crane delivered with the largest tonnage since the establishment of CM Energy, which is a milestone. The delivery of core equipment such as the 1,600T wind power installation ship lifting device and electronic control system marks that CM Energy has achieved a new breakthrough in the key parameters of the core equipment of the new generation of large-scale offshore wind power installation platforms, extending its high-end drilling equipment manufacturing strength and experience to the next generation of large-scale offshore wind power installation fields, kicking off the formation of complete sets of green high-end equipment product solutions. Meanwhile, leveraging on its solid technical strength in the offshore crane business, the Company successfully completed the replacement of the main crane boom of Huihai No. 1, winning praise from shipowners. We successfully completed the independent development of land drilling rig automation equipment and achieved its first sale in November 2023. We continue to increase industrial collaboration with CM Industry, and the 3D wave compensated gangway jointly developed has entered the prototype assembly stage. The release of the prototype will break the domestic gap in this field and simultaneously accelerate the localization process of core equipment for offshore wind power operation and maintenance. In addition, CM Energy continues to explore and jointly launch sailing products with the British sailing company to adapt to the new cycle of green and low-carbon offshore equipment products. New members will be added soon to the Company's product offering.

In 2023, China Merchants Group accelerated the cultivation of strategic emerging industries, created two curves, and has been promoting the wave of third entrepreneurship. In March 2023, "CMIC" changed its name to " CM Energy ". The new name can more intuitively reflect the future development direction and business focus of CM Energy, and effectively demonstrate the Company's determination to focus on green energy. The Company has built an industrial layout with "hydrogen, engineering and electricity" as the core, with the vision of becoming a leading technology-based new green energy enterprise and equipment service provider.

In 2023, the operating results of the Company remain profitable, with revenue, gross profit, operating profit and cash flow all hitting five-year highs. The Company's development is inseparable from talents. In terms of talent introduction, CM Energy is closely integrated with China Merchants Group's "the third entrepreneurship" development strategy and high-quality development requirements, and be the leader and pioneer of the Group's technological innovation and strategic emerging industries. Building a team of high-quality, professional and innovative talents, CM Energy creates a new situation in talent construction in the new development stage of the Company, and provides strong talent guarantee for the implementation of the Company's strategy.

FINANCIAL REVIEW

	2023	2022	Increase/(decrease)	
	US$'000	*US$'000*	US$'000	%
Revenue	**181,337**	113,040	68,297	60.4
Gross profit	**40,997**	27,746	13,251	47.8
Gross profit margin	**22.6%**	24.5%		
Profit from operations	**14,158**	7,318	6,840	93.5
Net profit attributable to owners	**9,502**	25,879	(16,377)	(63.3)
Profit for the year	**9,609**	25,890	(16,281)	(62.9)
Net profit margin	**5.3%**	22.9%		
Earnings per share (Basic and diluted)	**US0.30 cent**	US0.82 cent	US(0.52) cent	(63.4)

Segment Information by Business Segments

	2023		2022		Increase/(decrease)	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Equipment manufacturing and packages	**101,374**	**55.9**	61,026	54.0	40,348	66.1
Supply chain and integration services	**29,089**	**16.0**	40,699	36.0	(11,610)	(28.5)
Assets management and engineering services	**50,874**	**28.1**	11,315	10.0	39,559	349.6
Total revenue	**181,337**	**100.0**	113,040	100.0	68,297	60.4

The Group's overall revenue for 2023 was approximately US$181.3 million, an increase of US$68.3 million or approximately 60.4% as compared to US$113.0 million for last year. The increase was mainly driven by the growth in the equipment manufacturing and package and assets management business.

Equipment Manufacturing and Packages

Revenue recognised in equipment manufacturing and packages projects increased by 66.1% from US$61.0 million in 2022 to US$101.4 million in 2023 mainly because some orders for wind power business of larger contract amounts were completed and delivered in 2023, resulting in an overall amount higher than last year.

Supply Chain and Integration Services

The decrease of 28.5% from US$40.7 million in 2022 to US$29.1 million in 2023 for supply chain and integration services was mainly because the orders completed and delivered during the year were less than the preceding year, and the newly signed orders in the Mexico market are still in progress, and have not yet completed and delivered.

Assets Management and Engineering Services

Assets management and engineering services revenue increased from US$11.3 million in 2022 to US$50.9 million in 2023, representing an increase of 349.6%, which was mainly due to the new business in leasing of saturation diver supporting diving support constrution vessels.

Segment Information by Geographical Regions

	2023		2022		Increase/(decrease)	
	US$'000	***%***	*US$'000*	*%*	*US$'000*	*%*
Hong Kong Special Administrative Region	**36**	**0.0**	2	0.0	34	1,700.0
Mainland China	**116,921**	**64.5**	79,067	70.0	37,854	47.9
North America	**4,914**	**2.7**	5,774	5.1	(860)	(14.9)
South America	**17,738**	**9.8**	20,637	18.3	(2,899)	(14.0)
Europe	**3,831**	**2.1**	934	0.8	2,897	310.2
Singapore	**13,195**	**7.3**	923	0.8	12,272	1,329.6
Indonesia	**2**	**0.0**	102	0.1	(100)	(98.0)
Middle East	**20,097**	**11.1**	2,734	2.4	17,363	635.1
Others	**4,603**	**2.5**	2,867	2.5	1,736	60.6
Total revenue	**181,337**	**100.0**	113,040	100.0	68,297	60.4

Gross Profit and Gross Profit Margin

The gross profit was US$41.0 million in 2023, representing an increase of US$13.3 million from US$27.7 million for last year, which was mainly attributable to the significant increase in revenue over last year, resulting in a higher gross profit for the year compared to last year. However, gross profit margin decreased from 24.5% in 2022 to 22.6% in 2023, which was mainly due to that leasing business of diving support constrution vessels 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 increased from US$3.6 million in 2022 to US$4.2 million in 2023. 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 13.5% from US$24.6 million in 2022 to US$28.0 million in 2023. 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 decreased from US$2.6 million in 2022 to US$0.8 million in 2023. The decrease was mainly due to a decrease in miscellaneous expenses.

Finance Costs

Finance costs, mainly interest on lease liabilities, decreased from US$0.2 million in 2022 to US$0.1 million in 2023.

Share of Profit of Joint Venture

Share of profit of joint venture amounted to US$19.3 million in 2022 whereas a loss of US$2,000 was recorded in 2023, which was mainly due to cessation of operations and completion of closure of the joint venture in 2023.

Group's Liquidity and Capital Resources

As at 31 December 2023, the Group carried tangible assets of approximately US$54.6 million (2022: US$22.5 million) being right of use of the assets, property, plant and equipment and investment properties. The Group's goodwill was approximately US$0.4 million (2022: US$Nil).

As at 31 December 2023, the Group's intangible assets were approximately US$1.7 million (2022: US$1.1 million). As at 31 December 2023, the Group's interest in associates was approximately US$16.5 million (2022: US$6.8 million), and deferred tax assets was approximately US$1.9 million (2022: US$1.6 million).

As at 31 December 2023, the Group's current assets amounted to approximately US$244.9 million (2022: US$239.9 million). Current assets mainly comprised inventories of approximately US$40.0 million (2022: US$36.2 million), trade and other receivables of approximately US$110.5 million (2022: US$164.7 million), and lease receivables (current) of approximately US$15.5 million (2022: US$12.8 million).

As at 31 December 2023, pledged bank deposits amounted to approximately US$5.5 million (2022: US$1.1 million) and cash and cash equivalents amounted to approximately US$73.4 million (2022: US$24.9 million).

As at 31 December 2023, current liabilities amounted to approximately US$128.3 million (2022: US$108.1 million), mainly comprised trade and other payables of approximately US$60.2 million (2022: US$59.6 million), and tax payable of approximately US$4.3 million (2022: US$4.1 million). Contract liabilities amounted to US$34.2 million (2022: US$29.8 million) and current lease liabilities amounted to approximately US$29.7 million (2022: US$14.7 million).

As at 31 December 2023, the Group had non-current liabilities of approximately US$22.1 million (2022: US$1.5 million), mainly representing non-current portion of lease liabilities. The Group monitors capital with reference to its debt position. The Group's strategy is to maintain a sound gearing ratio, being the Group's total liabilities to total assets. The gearing ratio as at 31 December 2023 was 46.1% (2022: 39.3%).

Significant Investment and Disposals

During the year ended 31 December 2023, the Group decided to make additional investment in Huaxia Hydrogen, a company established in the PRC with limited liability and mainly engaged in research and development, manufacturing and sales of alkaline electrolysis tank hydrogen production equipment and key materials, at a consideration of RMB58,200,000 (equivalent to approximately US$8,200,000). The Group's shareholding in this company was increased to 42.0% from approximately 33.0%. The capital increase is funded by cash and is expected to be completed by the end of 2024.

Capital Structure

At 31 December 2023, 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 36% of the Group's revenue was denominated in US$. As at 31 December 2023 and 31 December 2022, 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 2023, except for the pledged deposits, there was no charge on the other assets of the Group.

Contingent Liabilities

As at 31 December 2023, there was no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2023, the Group had a total of 468 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 the Directors to the Company, and is reviewed from time to time.

MARKET REVIEW AND PROSPECTS

Market Analysis of the Industry

2023 is the first year after the global lifting of pandemic prevention policies, and the world economy is recovering. In order to control high inflation, major central banks have continued the tightening monetary policy since last year, resulting in tighter global liquidity and restrictions on economic activities. Affected by this, international oil prices continued to fluctuate in 2023, and the escalation of geopolitical conflicts further aggravated the volatility of oil prices. Despite increased uncertainty in the oil market, oil and gas drilling activities continue to recover, especially offshore oil and gas drilling. Projects that have been put on hold for a long time due to the market downturn and the pandemic have been given the opportunity to restart again.

Since the beginning of 2023, the OPEC+ alliance has repeatedly announced plans to extend or increase production cuts in an attempt to control oil prices at US$90 per barrel. However, the high inflation caused by high oil prices has seriously affected the United States. For this reason, the United States has used various means to suppress oil prices. In the second quarter of 2023, the United States once again released its Strategic Petroleum Reserve (SPR) on a large scale, providing an additional supply of 250,000 barrels per day. However, excessive release of strategic oil reserves is unsustainable, and the suppression effect on oil prices is not obvious. Therefore, the United States took more radical measures in the second half of the year – increasing oil production. Since July, the United States has significantly increased crude oil production, causing crude oil production of the United States to exceed 13 million barrels per day, setting a record high. Compared with the first half of the year, the continued increase in production in the United States provided the international market with an additional supply of 1.458 million barrels per day. This approach has achieved obvious results, and international oil prices have begun to fall sharply since October. At the end of the year, the Federal Reserve System released a signal of monetary easing, and the United States began to replenish SPR inventories, and international oil prices rebounded.

Looking forward to 2024, international investment banks believe that OPEC will use its pricing power to keep Brent crude oil prices within the range of US$80–100 per barrel, with the lower limit of US$80 from OPEC's price floor, and the upper limit of US$100 from idle capacity. Although increased supply from non-OPEC countries or an economic recession will pose downside risks to oil prices, unless OPEC is less willing to cut production, Brent crude oil prices will remain close to US$80. This price range will provide investors with strong current returns (more than 15% within 12 months) and rollover returns (12%), while also providing protection from geopolitically induced supply disruptions.

According to the International Energy Agency forecast, the crude oil market will see a supply gap of approximately 700,000 barrels per day in 2024, which will cause the annual average price of Brent crude oil to rise to US$92 per barrel. On one hand, the stable growth of the global economy, the structural growth of emerging markets and the rapid recovery of aviation kerosene demand will push crude oil demand to increase by approximately 1.6 million barrels per day next year; on the other hand, the number of U.S. drilling rigs has decreased, investment has shrunk and production efficiency has declined and slowed the growth of shale oil supply. Although Saudi Arabia's individual production reduction measures will be gradually lifted, OPEC will continue to extend its collective production cut agreement to support oil prices, resulting in tighter crude oil supply next year.

Over the past two decades, the offshore engineering market has basically gone through a complete market cycle. The first 11 years from 2003 to 2013 was an upward cycle. During the financial crisis, the market experienced a brief adjustment and then recovered quickly. Since 2014, it has gone through a long adjustment period of 10 years. Judging from the current market supply and demand situation, the global offshore engineering market has basically adjusted in place. The current market has initially possessed many of the characteristics of the market peak period in 2014, for example, the stable international oil price environment, high equipment rental rates, and equipment utilization rates as high as about 90%, etc. From a shipyard's perspective, however, the number of offshore engineering equipment orders is still at a low point over the past 20 years.

Clarkson's data shows that in the first three quarters of 2023, a total of 92 offshore engineering equipment orders were transacted globally, with a transaction value of approximately US$10.2 billion. In terms of specific ship types, offshore wind power related ships and floating production equipment are the mainstays of current market transactions. Specifically, 5 marine survey ships were sold for US$200 million. Mobile drilling equipment still had zero transactions; however, downstream demand was very active, and ship leasing activities were increasing. 50 engineering and construction ships were sold for US$3.1 billion, including offshore wind power construction operation and maintenance related operation and maintenance mother ships, crane ships, wind power installation ships, cable laying ships, etc. 13 floating production and storage and transportation equipment was sold for US$6.4 billion. 24 offshore engineering support ships were sold for US$400 million.

In terms of completion and delivery, a total of 162 offshore engineering equipment units/ships were delivered globally in the first three quarters, with a total amount of approximately US$11.2 billion, which in terms of amount was close to the amount delivered for the whole of last year. Among them, there were 89 engineering and construction ships delivered, with a total value of approximately US$5 billion. Offshore wind power related ships ushered in a wave of deliveries, with 20 wind power installation ships alone being delivered, setting a record high, which to a certain extent has eased the paradox of shortage of ships in the offshore wind power market. 24 floating production and storage and transportation equipment were delivered for US$5.2 billion, accounting for 46% in terms of value, including FPSO, semi-submersible production platforms and jack-up production platforms, etc. Two mobile drilling equipment were delivered, both of which were jack-up drilling rigs, setting a record low. The overall delivery quantity of other types of offshore engineering equipment has not changed much.

According to the "Global Hydrogen Review 2023" released by the International Energy Agency (IEA) in September, global hydrogen demand has reached a new high. After experiencing a short decline in 2020, the global hydrogen market achieved continuous growth in 2021 and 2022, with global hydrogen demand reaching 95 million tons in 2022, setting a record high. The scale of global electrolytic hydrogen production is still relatively low, accounting for only 0.1%, but the growth rate is still considerable, reaching 35%.

The global green hydrogen market continued to grow explosively in 2023, and the performance of electrolysis tank manufacturers has improved significantly. For example, NEL's electrolysis tank revenue in the first half of 2023 tripled year-on-year, and alkaline electrolysis tank manufacturer HydrogenPro even achieved profitability for the first time in the first half of this year, breaking the common loss-making predicament of hydrogen energy terminal manufacturers.

The size of the global electrolysis tank market continues to grow. Global electrolysis tank shipments in 2020 were 290MW, and shipments in 2021 were 458MW, of which 350MW was shipped by China. Shipments in 2022 were more than 1GW, of which 800MW was shipped by China. From January to October 2023, a total of 28 public bidding demands for electrolysis tank were released in China, and the cumulative bidding demand for electrolysis tank has exceeded 1,433MW, which is twice the annual shipment volume of electrolysis tank in 2022. It is expected that the annual shipment volume in 2023 will be 2.3GW, and China has become the driver of the global green hydrogen industry.

Led by China and Europe, global electrolysis tank production capacity is growing rapidly. According to IEA statistics, the total global electrolysis tank production capacity in 2021 was 8.0GW/year, of which the European and Chinese production capacities were 3.5GW and 2.9GW respectively, accounting for 44% and 36% respectively. It is expected that the total global electrolysis tank production capacity will reach 21.5GW/year and 45.1GW/year respectively in 2023/2025, while the combined electrolysis tank production capacity of Europe and China accounts for 85% and 68% of the world's total. From 2021 to 2025, the compound growth rate of global electrolysis tank production capacity will reach 54.1%.

Development Strategy of the Company

In 2024, the Company will build an industrial layout based on " hydrogen, engineering and electricity ", with green energy terminal products as the core, and focus on the production and purchase and sale of hydrogen-based fuels (hydrogen), energy and marine equipment manufacturing (engineering), electric drive and control (electricity), etc., master core technologies, forge manufacturing capabilities, and create competitive products. In terms of existing business, in the upward cycle of shipbuilding, we will strengthen synergy with shareholder companies and the penetration rate of shipbuilding and offshore supporting products, and continue to serve green intelligent manufacturing. At the same time, we will focus on the transformation and upgrading of existing business, new product development, and addressing the technology "bottlenecks" of core products, improving independent design capabilities, exploring products with weak cyclicality and low risk, stabilizing the supply chain and reducing supporting costs. In terms of incremental business, we will accelerate the layout of new areas and new tracks for value creation, realize orders for hydrogen production equipment, hydrogenation equipment and green methanol production as soon as possible, seize market resources and develop commanding heights, and hope to gain more opportunities and advantages in the competition.

In terms of green energy industry layout, 華商綠能, as the main carrier of CM Energy's green industry layout, is the "main force" in realizing incremental business in emerging industries. The Company will focus on the two starting points of "hydrogen production" and "hydrogen-based fuel" to form core competitiveness in the market at the equipment end, chain end and industrial end, develop small and medium-sized hydrogen production plant projects to set up upstream and downstream resources in the industrial chain, build hydrogen-based fuel production and filling ecological system and form a stable industrial chain. We will do a good job in the reserve and accumulation of potential future technologies: research and reserve offshore hydrogen production technology and hydrogen storage technology, produce large-scale hydrogen fuel cells, accumulate alcohol/ammonia power and other technology to lay the foundation for solving the power problems of ocean-going vessels.

In terms of energy equipment products, we will continue to expand our product lines, continue to be based on offshore engineering and shipbuilding and offshore supporting products, and focus on the upward cycle of offshore engineering and shipbuilding, continue to strengthen synergy with CM Industry and product penetration, promote the scale of equipment manufacturing development, continue to expand the field of shipbuilding and offshore supporting, and continue to make efforts in liftboat, offshore wind power installation ships, operation and maintenance mother ships, and key equipment of other ship types, etc. We will develop new energy and low-carbon product production lines, and continue to create “specialization, refinement, uniqueness and innovation” and “hidden champion” companies. At the same time, based on the original electronic control field, we will continue to expand into new businesses and new fields, strive to create high-end high-quality power and electrical products, focus on original innovation, and introduce professional and technical talents and leaders in new fields.

In terms of traditional energy and services, we will seize the recovery cycle of the oil and gas market, keep the fundamentals of the existing business segments unchanged, and develop appropriately to ensure the revenue scale and funding needs for cultivating and developing new energy businesses. We will strictly control the financial risks of overseas businesses and gradually withdraw from the businesses with high risks such as low market competitiveness, low profitability for the long term, large capital costs and long recovery cycles. We will leverage the network advantages and local resources of the existing overseas layout in Europe, the United States and Southeast Asia to establish new energy overseas projects and product sales channels as soon as possible, and set up a business model of “domestic production, selling worldwide”. We will continue to track the introduction of overseas advanced technologies and, by exchanging market for technology, provide domestic large-scale manufacturing and form localized alternatives with our own intellectual property rights, forming a virtuous cycle of domestic and overseas business interaction.

Advantages in Resources of CM Energy

With years of engagement in the oil and gas and offshore industries, CM Energy 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. CM Energy 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, CM Energy 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 CM Energy has been operating in Europe, North America, Southeast Asia, the Middle East and 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.

China Mechants Group, the Company's substantial 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 CM Energy's energy equipment supporting, asset management service and green energy technology development businesses. In the future, CM Energy 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, CM Energy will cooperate with CM Industry Group to vigorously develop shipbuilding and offshore supporting business, energy asset management service and green energy technology development businesses, and create continuous order income. In terms of finance, China Mechants 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, CM Energy 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 land developer in China, China Mechants 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

At the end of 2023, the price of Brent crude oil was US$77/barrel, representing a decrease of 7.13% compared with the beginning of the year, the price of WTI crude oil was US$72/barrel, representing a decrease of 8.55% for the year. Looking back at 2023, the price of Brent crude oil continued to fluctuate in the first half of the year, with relatively large fluctuations from March to May. In the second half of the year, it showed a trend of rising first and then falling. In early July, oil prices started a round of continuous rise, and the volatility was significantly reduced, reached the highest point of the year by the end of September, then declined continuously in October and November, and rebounded again in mid-December. From January to June, the average price of Brent crude oil was US$80/barrel, from July to mid-December, the average price was US$85/barrel, and fell again to US$80/barrel at the end of the year. With the change in the pace of interest rate hikes by the Federal Reserve System, the impact of monetary policy on oil prices has gradually weakened, and the game between oil-producing countries has become the primary factor affecting oil prices.

Since 2023, the offshore engineering market has been very active. As of early December, the global demand for drilling rigs reached 536 units, representing an increase of 5 units compared to the previous month. The demand for jack-up rigs remained the same as the previous month, and the demand for floating rigs increased by 5 units. The supply of active drilling rigs increased by 4 units to 612 units, returning to the level of early October. The drilling rig utilization rate rose to 88%. There were 165 active jack-up rigs in the Middle East, and the utilization rate rose to 92%, maintaining a historically high level. Demand for floating rigs was 141 units, representing an increase of 8% for the year, and the utilization rate rose to 88%. Global demand for drilling rigs is expected to grow further over the next two years. It will increase by 7% in 2024, reaching 576 units by the end of the year, and the utilization rate will rise to 92%. Further, it will increase by 5% in 2025, reaching 603 units by the end of the year, and the utilization rate will reach 94%. In 2024, the demand for jack-up rigs is expected to increase by 6%, reaching 420 units, and the utilization rate will rise to 92%. The demand for floating rigs is expected to increase by 11%, reaching 156 units by the end of the year, and the utilization rate will rise to 92%. In terms of daily rent, as of the end of November, the Clarksons Rig Rate Index was 140 points, representing an increase of 16% during the year, reaching the highest level since the end of 2014. Moreover, in recent months, the rent of ultra-deepwater floating rigs has exceeded US$500,000 per day for the first time, while the daily rent of high-specification jack-up drilling rigs has increased by an average of about 19% in 2023.

At the 80th Marine Environmental Protection Committee Meeting (MEPC80) of the International Maritime Organization (IMO) in July 2023, IMO announced that it would shorten the time for net-zero emissions from shipping by 50 years, bringing it forward from 2100 to 2050. At the same time, it is proposed that in 2030, global emission intensity will be reduced by 40%, total emissions will be reduced by 20%, and strive to reach 30% reduction. Also, alternative fuel use will reach 5%, and strive to reach 10%. The total annual greenhouse gas emissions from international shipping in 2024 will be reduced by at least 70% compared to 2008, and strive to reduce by 80%. Affected by the pressure from the shipping industry's carbon reduction policies of EU and IMO, international shipping is the most certain scenario for green methanol in the short term. The number of methanol ship orders has steadily increased and is showing an accelerating trend.

The Baltic and International Maritime Council (BIMCO) predicts that by 2028, 29% of ships and 42% of deadweight carrying capacity are expected to be ready or able to use alternative fuels at any time, and a further 4% will be ready for conversion. With the 28th Conference of the Parties (COP28) calling for a tripling of renewable energy capacity by 2030, it is more likely that sufficient green and blue fuels will be produced to enable the shipping industry to meet IMO's 2030 targets, even without relying heavily on biofuels.

In addition, COP28 held in Dubai also launched the global Decarbonization Charter, which was signed by 50 oil and gas companies to scale up climate action, while green hydrogen producers pledged to produce 11 million tons of low-carbon hydrogen for use by the shipping industry by 2030, as part of a joint commitment to enable green hydrogen-based fuels to meet the maritime industry's decarbonization targets by 2030.

According to the prediction of International Renewable Energy Agency (IRENA), the application of green methanol will be dominated by international shipping fuel substitution. With the increase in orders for methanol-powered ships, it is expected to form a market size of nearly RMB10 billion by 2025. As green methanol gradually replaces fossil methanol in the domestic market, and the international shipping emission reduction further expands its penetration, the market size is expected to reach RMB100 billion by 2030. It is estimated that by 2035, green methanol is expected to continue to penetrate other commodity fields subject to carbon tax by the EU carbon border adjustment mechanism regulation, forming a market size of over RMB300 billion. By 2050, as advanced technologies such as biomanufacturing spread to the fossil economy, the global low-carbon methanol market will reach 500 million tons (of which green methanol accounts for 385 million tons), and is expected to form a trillion-RMB market size.

Since 2022, China continues to increase its hydrogen energy industry supporting policies. In March 2022, the National Development and Reform Commission issued the "Medium- and Long-Term Plan for the Development of Hydrogen Energy Industry (2021–2035)" to further clarify the development route of China's hydrogen energy industry. The "Plan" points out that by 2025, the number of fuel cell vehicles will be about 50,000, and a batch of hydrogen refueling stations will be planned to build. The hydrogen production capacity from renewable energy will reach 100,000–200,000 tons/year, becoming an important part of new hydrogen energy consumption and achieving a carbon dioxide emission reduction of 1–2 million tons/year. In June 2022, nine departments including the National Development and Reform Commission and the National Energy Administration jointly issued the "14th Five-Year Plan for Renewable Energy Development" to promote the industrial development of hydrogen production from renewable energy power generation and build a large-scale green hydrogen production base. In August 2022, nine departments including the Ministry of Science and Technology, the National Development and Reform Commission, and the Ministry of Industry and Information Technology jointly issued the "Technology-Supported Carbon Peak and Carbon Neutrality Implementation Plan (2022–2030)", proposing to develop technology using renewable energy to produce hydrogen with high-efficiency and low-cost, large-scale physical hydrogen storage and chemical hydrogen storage technology, large-scale and long-distance pipeline hydrogen transmission technology, hydrogen energy safety technology, etc. in order to explore and develop new hydrogen production and hydrogen storage technologies. At the same time, multiple provinces have issued hydrogen energy plans and guidance, actively building a hydrogen energy industry ecological chain.

With the rapid development of the hydrogen energy industry and policy support, hydrogen energy will also become an indispensable role in the energy system. According to data from the Hydrogen Energy Industry Big Data Platform, the number of hydrogen refuelling stations in China increased from 62 in 2019 to 245 in 2022, with a CAGR of +58.10%, and the supply capacity of hydrogen refuelling stations increased from 13,200 tons/year in 2019 to 64,800 tons/year in 2022, with a CAGR of +70.01%. According to "Current Status and Future Prospects of Technology Development in China's Hydrogen Energy Industry" by Zhang Zhi and others, BP's forecast data was quoted. Under the rapid development model (reducing carbon emissions by increasing carbon emission costs), hydrogen energy will account for 7% of the world's energy consumption terminal structure in 2050, while under the net-zero model (increasing the proportion of the use of clean energy in the society based on a rapid transformation model), hydrogen energy will account for 16% of the world's energy consumption terminal structure in 2050.

According to the forecast of the China Hydrogen Energy Alliance, China's hydrogen demand will reach 35 million tons in 2030, accounting for 5% of the terminal energy system. By 2050, hydrogen energy will account for at least 10% of China's terminal energy system. The demand for hydrogen will be close to 60 million tons, which can reduce approximately 700 million tons of carbon dioxide emissions. The annual output value of the industry chain will be approximately $12 trillion. Among them, 24.58 million tons of hydrogen will be used in the transportation field, accounting for about 19% of the energy consumption in this field, which is equivalent to reducing 83.57 million tons of crude oil or 100 billion cubic meters of natural gas, while 33.7 million tons of hydrogen will be used in the industrial field, and 1.10 million tons of hydrogen will be used in construction and other fields.

According to Hydrogen Cloud Chain statistics, there were 22 electrolysis tank bidding projects across the China in the first half of 2023, with a total capacity of more than 600MW, accounting for 75% of the full-year demand in 2022. Hydrogen Cloud Chain predicts that the full-year demand in 2023 is expected to double that in 2022. In January 2024, Sinopec's 100,000-ton/year wind-solar hydrogen production integrated project in Ulanqab was approved. According to CITIC Securities' calculations, the bidding project will be including 200 sets of 1,000Nm3/h alkaline electrolysis tank hydrogen production devices. The total tank size will be approximately 1GW. The approved scale of this project exceeds 50% of the bidding scale in 2023. It is expected that driven by various factors such as mature technology, cost reduction and policy support, the approval and construction of domestic green hydrogen projects in 2024 will be maintaining a rapid growth, domestic green hydrogen electrolysis tank installation capacity is expected to exceed 4GW in 2024, and the year-on-year growth is expected to double, thereby driving the growth of industry chain shipments.

Strategy and Prospects

In 2024, the Company will focus on the layout of green energy industry and strive to become a leading technology-based new green energy enterprise and equipment service provider.

The Company will actively seize the opportunities and challenges brought by the adjustment of the world economic structure and the transformation of growth drivers, proactively seek new opportunities, open up new situations, further expand and optimize the industrial layout, focus on "green, technology, smart manufacturing" and highlight new core driver, which is technological innovation. We will strive to build a strong modern energy enterprise that meets "China Merchants' foundation". In terms of business, we will focus on the development of green energy terminal products and gradually enter the hydrogen-based fuel production process. While accumulating and retaining technologies, we will also do a good job in maintaining the industrial chain and expanding business at an appropriate scale, focusing on the sustainable development of business.

In terms of green energy industry layout, the Company's hydrogen energy business achieved major breakthroughs in 2023, with the test of the AWE hydrogen production equipment with output capacity of 1,000Nm^3/h being a complete success and industry-leading parameter indicators. Also, the Company increased its shareholding in Huaxia Hydrogen again and continued to cultivate hydrogen production equipment technology. In 2024, the Company will continue to focus on the layout of the hydrogen energy industry, form a product series list from Huaxia Hydrogen company's "refined" electrolysis tank products, and strive to achieve mass production of 1,000Nm^3/h electrolytic cells.

In terms of energy equipment products, the Company completed the delivery of a 1,600-ton wind power installation crane project in 2023, and achieved breakthrough progress in the research and development of the wave compensation gangway project. In 2024, the Company will concentrate its limited resources to focus on the development of promising incremental businesses that are in line with national development strategies for emerging industries, deeply explore market segments, and take the lead in achieving high-quality and profitable international leading products in segmented businesses and market segments. The Company will continue to pay attention to order opportunities for offshore wind power installation ships, as well as track construction opportunities for offshore wind power operation and maintenance mother ships at home and abroad, laying the foundation for providing core equipment. We will moderately make progress, pay close attention to green energy, digital economy, key and hot tracks such as high-tech fields. We will make advance layout and technology accumulation, and clarify differentiated positioning, formulate corresponding development strategies and future resource allocation ratios.

In terms of overseas business development, the Company's business developed smoothly in 2023, and it successfully won the bid for two major projects of national oil company of Mexico for land drilling rig upgrade and top drive operation and maintenance, further consolidating its market position in Mexico. Two drilling rigs and two saturation diver vessels managed by the Company successfully performed their leases, and their operating efficiency was highly praised by customers. In 2024, the Company will do a good job in the execution of projects on hand, continue to seek opportunities to integrate high-quality offshore and engineering assets, seize the strategic opportunity period of the rising offshore and engineering market, and further develop equipment services and asset management businesses. Facing global hot markets, we will continue to integrate internal resources and using market-oriented means to adapt to the market situation and create more new cooperation models.

In 2024, the Company will continue to strengthen collaboration with strategic shareholders and business partners including China Merchants 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 green energy production, expansion in the application scenarios of hydrogen energy, business development in wind power market, rig asset disposal, rig asset lease and sales, equipment sales, project financing, etc.

In 2024, the Company will continue to strengthen brand building and investor relations. We will improve the Company's Internet external window channel, update and strengthen the brand positioning of "green energy technology". We will also strengthen the maintenance of investor relations and market value management, strengthen the connection between the Company and investors through regular strategy presentations, video conferences, road shows, etc., and achieve positive interaction and development.

Plans for Future Material Investments, Assets and Capital Integration

In terms of future investment direction, the Company will focus on the development of green energy terminal products. Based on the principle of "small investment and controlled risk", the Company will focus on the hydrogen-based fuel production process and the upstream investment opportunities of hydrogen-based fuel, and combine the upstream and downstream industry chain to integrate the relevant resources. At the same time, the Company will continue to expand investment in the industrial chain of the hydrogen energy industry, seek high value-added products and technologies such as hydrogen production and storage, control the amount of its own capital investment to reduce investment risks. The Company will also build on its existing "engineering" and "electricity" businesses to seek potential project opportunities to expand business scale and product types, and enhance the Company's technological and energy strength.

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

DIVIDEND

The Board proposed not to declare any final dividend for the year ended 31 December 2023.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024, 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 Friday, 10 May 2024.

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 C3 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 throughout the year ended 31 December 2023.

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 2023, save for the deviation from code provision C.2.1 as set out in the CG Code, the Company has complied with the code provisions of the CG Code contained in Appendix C1 to the Listing Rules.

Deviation from code provision C.2.1 as set out in the CG Code

According to such code provision, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. From 24 March 2023 to 29 August 2023, Mr. Yu Zhiliang, in addition to his duties as the chairman of the Board, was also the chief executive officer of the Company ("**CEO**") and responsible for the corporate strategic planning and overall business development of the Group. Mr. Yu Zhiliang has extensive knowledge on the business of the Group and his duties for overseeing the Group's operations are considered to be beneficial to the Group. The Company considered having Mr. Yu Zhiliang acting as both the chairman of the Board and the CEO would provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. Since the Directors would meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believed that this structure would enable the Company to make and implement decisions promptly and efficiently. Following the resignation of Mr. Yu Zhiliang as the chairman of the Board and the CEO on 29 August 2023, Mr. Mei Xianzhi has been appointed as the chairman of the Board and Mr. Zhan Huafeng has been appointed as the Executive President, both with effect from 29 August 2023. For details, please refer to the announcement of the Company dated 29 August 2023. Since 29 August 2023, the Company has fully complied with the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2023. The figures in respect of the 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 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. SHINEWING (HK) CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 22 March 2024. The work performed by Messrs. SHINEWING (HK) CPA Limited in this respect did not constitute an 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 HKICPA and consequently no opinion or assurance conclusion has been expressed by Messrs. SHINEWING (HK) CPA Limited on the preliminary announcement.

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.

Subsequent to 31 December 2022, pursuant to the terms of the rules and trust deed of the share award plans adopted by the Company in 2015 and 2019 respectively (the "**2015 and 2019 Share Award Plans**"), the trustee of the 2015 and 2019 Share Award Plans did not purchase any Shares on the Stock Exchange. As at the date of this announcement, the trustee held a total 70,499,000 Shares (representing approximately 2.17% of the issued share capital of the Company) under the 2015 and 2019 Share Award Plans.

EVENTS AFTER PERIOD

Electronic dissemination of corporate communications and amendments to the articles of association of the Company

Pursuant to the new Rule 2.07A of the Listing Rules, the Company will disseminate to its Shareholders the future corporate communications by way of electronic communication and dispatch printed copies thereof to Shareholders only upon their request with effect from 31 January 2024.

In order to facilitate electronic dissemination of the Company's corporate communications as required under the aforesaid new Rule of the Listing Rules (in particular the requirement to issue a notice to the Shareholders relating to corporate communications being available for inspection after removal of corporate communications published on the Company's website or the website of the Stock Exchange) and to make other consequential amendments, the Board has proposed to amend the Company's existing revised and restated articles of association. Please refer to the announcement of the Company dated 22 March 2024 for details.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (http://www.cm-energy.com/) and the Stock Exchange (http://www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2023 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 the order of the Board
CM Energy Tech Co., Ltd.
Mei Xianzhi
Chairman

Hong Kong, 22 March 2024

As of the date of this announcement, the Board comprises one (1) executive Director, namely Mr. Zhan Huafeng; six (6) non-executive Directors, namely Mr. Mei Xianzhi, Mr. Liu Jiancheng, Mr. Tam Wing Tim, Mr. Zhang Xizheng, Mr. Wang Jianzhong and Mr. Zhang Menggui, Morgan; and four (4) independent non-executive Directors, namely, Mr. Chan Ngai Sang, Kenny, Mr. Zou Zhengdong, Ms. Zhang Zhen and Mr. Xue Jianzhong.