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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of CM Energy Tech Co., Ltd. (the “**Company**” or “**CM Energy**”) announces the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024, together with the unaudited comparative figures for the corresponding period in 2023 as follows:

RESULTS HIGHLIGHTS

- The Group’s revenue for the six months ended 30 June 2024 reached approximately US\$77.6 million, representing a decrease of approximately 16.5% from approximately US\$92.9 million for the same period in 2023;
- Gross profit amounted to approximately US\$17.5 million for the six months ended 30 June 2024, representing an increase of approximately 3.3% from approximately US\$17.0 million for the same period in 2023;
- Net profit attributable to owners of the Company amounted to approximately US\$4.8 million for the six months ended 30 June 2024, representing a decrease of 0.1% from approximately US\$4.8 million for the same period in 2023;
- Earnings per share for the six months ended 30 June 2024 was US0.15 cent, which is the same compared with US0.15 cent for the same period in 2023;
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	Notes	US\$'000	US\$'000
Revenue	3, 4	77,601	92,888
Cost of sales		<u>(60,063)</u>	<u>(75,913)</u>
Gross profit		17,538	16,975
Other income, gains and losses, net	5	(101)	1,790
Selling and distribution expenses		(1,134)	(1,118)
General and administrative expenses		(10,451)	(10,841)
Other expenses		<u>(137)</u>	<u>(318)</u>
Profit from operations		5,715	6,488
Finance costs	6(a)	(73)	(795)
Share of results of associates		446	(369)
Share of results of a joint venture		<u>–</u>	<u>(2)</u>
Profit before taxation	6	6,088	5,322
Income tax expenses	7	<u>(1,304)</u>	<u>(531)</u>
Profit for the period		<u><u>4,784</u></u>	<u><u>4,791</u></u>
Attributable to:			
Owners of the Company		4,786	4,791
Non-controlling interests		<u>(2)</u>	<u>–</u>
Profit for the period		<u><u>4,784</u></u>	<u><u>4,791</u></u>
Earnings per share			
Basic and diluted	9	<u><u>US0.15 cent</u></u>	<u><u>US0.15 cent</u></u>

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

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Profit for the period	4,784	4,791
Other comprehensive (expense) income for the period:		
Items that will not be reclassified to profit or loss:		
– Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	(1,655)	(1,050)
– Share of other comprehensive income of associates and a joint venture	1	258
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences arising on translation of foreign operations	(1,863)	(3,247)
Other comprehensive expense for the period	(3,517)	(4,039)
Total comprehensive income for the period	<u>1,267</u>	<u>752</u>
Attributable to:		
– Owners of the Company	1,269	752
– Non-controlling interests	(2)	–
Total comprehensive income for the period	<u>1,267</u>	<u>752</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited 30 June 2024 US\$'000	Audited 31 December 2023 US\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	47,059	53,237
Investment properties		1,149	1,316
Goodwill		412	389
Intangible assets		1,651	1,743
Interest in associates		16,556	16,497
Other financial assets		3,768	5,422
Prepayments		576	888
Lease receivables		11	100
Deferred tax assets		1,792	1,854
		<u>72,974</u>	<u>81,446</u>
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CURRENT ASSETS			
Inventories		35,127	39,950
Trade and other receivables	11	105,621	110,457
Lease receivables		21,360	15,479
Tax recoverable		143	146
Pledged bank deposits		1,693	5,457
Cash and cash equivalents		70,780	73,366
		<u>234,724</u>	<u>244,855</u>
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		Unaudited	Audited
		30 June	31 December
		2024	2023
	<i>Notes</i>	US\$'000	US\$'000
CURRENT LIABILITIES			
Trade and other payables	12	47,535	60,185
Contract liabilities		25,891	34,165
Lease liabilities		35,897	29,707
Tax payable		3,969	4,284
		<u>113,292</u>	<u>128,341</u>
NET CURRENT ASSETS		<u>121,432</u>	<u>116,514</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>194,406</u>	<u>197,960</u>
NON-CURRENT LIABILITIES			
Lease liabilities		<u>17,315</u>	<u>22,136</u>
NET ASSETS		<u>177,091</u>	<u>175,824</u>
CAPITAL AND RESERVES			
Share capital		41,418	41,418
Reserves		<u>134,892</u>	<u>133,623</u>
Total equity attributable to owners of the Company		176,310	175,041
Non-controlling interests		<u>781</u>	<u>783</u>
TOTAL EQUITY		<u>177,091</u>	<u>175,824</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2024

	Attributable to owners of the Company													
	Share capital	Share premium	Merger reserve	Exchange reserve	Shares held for share award scheme reserve	Capital reserve	Revaluation reserve	Statutory Reserve funds	Safety fund surplus reserve	Fair value reserve (non-recycling)	Accumulated losses	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2023	41,418	254,632	2,161	(18,275)	(3,631)	5,482	627	10,346	-	(8,214)	(115,379)	169,167	(141)	169,026
Changes in equity for the six months ended 30 June 2023:														
Profit for the period	-	-	-	-	-	-	-	-	-	-	4,791	4,791	-	4,791
Other comprehensive expense	-	-	-	(3,247)	-	-	-	-	-	(792)	-	(4,039)	-	(4,039)
Total comprehensive (expense) income	-	-	-	(3,247)	-	-	-	-	-	(792)	4,791	752	-	752
Dividends recognised as distributions ¹	-	-	-	-	-	-	-	-	-	-	(4,052)	(4,052)	-	(4,052)
Balance at 30 June 2023	<u>41,418</u>	<u>254,632</u>	<u>2,161</u>	<u>(21,522)</u>	<u>(3,631)</u>	<u>5,482</u>	<u>627</u>	<u>10,346</u>	<u>-</u>	<u>(9,006)</u>	<u>(114,640)</u>	<u>165,867</u>	<u>(141)</u>	<u>165,726</u>
Balance at 1 January 2024	41,418	250,580	2,161	(19,826)	(3,631)	5,482	627	11,961	813	(3,544)	(111,000)	175,041	783	175,824
Changes in equity for the six months ended 30 June 2024:														
Profit for the period	-	-	-	-	-	-	-	-	-	-	4,786	4,786	(2)	4,784
Other comprehensive expense	-	-	-	(1,863)	-	-	-	-	-	(1,654)	-	(3,517)	-	(3,517)
Total comprehensive (expense) income	-	-	-	(1,863)	-	-	-	-	-	(1,654)	4,786	1,269	(2)	1,267
Balance at 30 June 2024	<u>41,418</u>	<u>250,580</u>	<u>2,161</u>	<u>(21,689)</u>	<u>(3,631)</u>	<u>5,482</u>	<u>627</u>	<u>11,961</u>	<u>813</u>	<u>(5,198)</u>	<u>(106,214)</u>	<u>176,310</u>	<u>781</u>	<u>177,091</u>

¹ A final dividend of HK\$0.01 per share for the year ended 31 December 2022 was paid.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Operating activities		
Cash generated from operations	3,864	36,231
Income tax paid	(1,619)	(642)
Net cash generated from operating activities	<u>2,245</u>	<u>35,589</u>
Investing activities		
Payment for purchase of property, plant and equipment	(391)	(52)
Capital contribution to associates	(5,305)	–
Proceeds from disposal of an associate	11	–
Interest received	75	9
Proceeds from disposal of property, plant and equipment	39	2
Amount received from a joint venture	16,586	44,360
Subscription of notes included in trade and other receivables	–	(383)
Decrease (increase) in pledged bank deposits and time deposits	3,764	(2,547)
Net cash generated from investing activities	<u>14,779</u>	<u>41,389</u>
Financing activities		
Dividends paid	–	(4,052)
Capital element of lease rentals paid	(18,308)	(16,618)
Interest element of lease rentals paid	(698)	(792)
Capital injection from non-controlling interests	164	–
Net cash used in financing activities	<u>(18,842)</u>	<u>(21,462)</u>
Net (decrease) increase in cash and cash equivalents	(1,818)	55,516
Cash and cash equivalents at 1 January	73,366	24,915
Effect of foreign exchange rate changes	(768)	(997)
Cash and cash equivalents at 30 June	<u>70,780</u>	<u>79,434</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION – UNAUDITED

1. CORPORATE INFORMATION

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

The condensed consolidated financial statements for the six months ended 30 June 2024 have not been audited nor reviewed by the Company’s auditors, but have been reviewed by the Company’s audit committee. The Company’s audit committee has no disagreement with the accounting treatments which had been adopted by the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

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

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

3. REVENUE

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

	Unaudited	
	For the six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Revenue from customers within the scope of HKFRS 15		
Sales of equipment related to land and offshore drilling rigs and equipments related to offshore wind power installation platform and rigs	37,859	57,292
Sales of oilfield expendables and supplies and related installation services	14,526	17,249
Assets management and engineering service fee income	12,802	8,557
Sub-total	65,187	83,098
Revenue from other sources		
Rental income arising from leasing of land and offshore drilling rigs classified as operating leases	388	302
Rental income arising from sub-leasing of diving support construction vessels classified as operating leases	11,444	–
Gain on sub-leasing of land drilling rigs classified as finance leases	431	9,338
Interest income from sub-leasing of land drilling rigs classified as finance leases	151	150
Sub-total	12,414	9,790
Total	77,601	92,888

4. 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 equipments related to offshore wind power installation platform and rigs, and leasing of 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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of goodwill, interests in associates, other financial assets, amounts due from controlling shareholder and a joint venture, cash and cash equivalents, pledged bank deposits, tax balances and other unallocated head office and corporate assets. Segment liabilities include all payables, liabilities and provisions attributable to the activities of the individual segment, with the exception of tax balances and other unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/loss is "segment results" i.e. "adjusted earnings before finance costs and taxes" of individual segment. To arrive at segment results, the Group's earnings are further adjusted for finance costs and items not specifically attributable to individual segment, such as share of results of associates, Directors' and auditors' remuneration and other head office or corporate income and expenses.

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

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

	Equipment manufacturing and packages		Supply chain and integration services		Assets management and engineering services		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2024	2023	2024	2023	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from external customers	38,247	57,594	14,526	17,249	24,828	18,045	77,601	92,888
Inter-segment revenue	14,413	28,207	3,600	1,271	256	313	18,269	29,791
Reportable segment revenue	<u>52,660</u>	<u>85,801</u>	<u>18,126</u>	<u>18,520</u>	<u>25,084</u>	<u>18,358</u>	<u>95,870</u>	<u>122,679</u>
Reportable segment results	<u>6,100</u>	<u>7,778</u>	<u>1,691</u>	<u>250</u>	<u>330</u>	<u>(132)</u>	<u>8,121</u>	<u>7,896</u>

The segment assets and liabilities as at 30 June 2024 and 31 December 2023 are set out below:

	Equipment manufacturing and packages		Supply chain and integration services		Assets management and engineering services		Total	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at		As at		As at		As at	
	As at	31	As at	31	As at	31	As at	31
	30 June	December	30 June	December	30 June	December	30 June	December
	2024	2023	2024	2023	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	86,619	110,243	11,611	13,617	85,391	77,554	183,621	201,414
Reportable segment liabilities	<u>(46,203)</u>	<u>(72,148)</u>	<u>(3,212)</u>	<u>(3,913)</u>	<u>(69,016)</u>	<u>(65,046)</u>	<u>(118,431)</u>	<u>(141,107)</u>

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

	Unaudited	
	For the six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
Revenue		
Reportable segment revenue	95,870	122,679
Elimination of inter-segment revenue	(18,269)	(29,791)
Consolidated revenue (<i>note 3</i>)	<u>77,601</u>	<u>92,888</u>
Results		
Segment results	8,121	7,895
Finance costs	(73)	(795)
Share of results of associates	446	(369)
Share of results of a joint venture	–	(2)
Unallocated head office and corporate income and expenses	(2,406)	(1,407)
Consolidated profit before taxation	<u>6,088</u>	<u>5,322</u>

	Unaudited	Audited
	As at	As at
	30 June 2024	31 December 2023
	US\$'000	US\$'000
Assets		
Reportable segment assets	183,621	201,414
Goodwill	412	389
Interest in associates	16,556	16,497
Other financial assets	3,768	5,422
Amount due from its controlling shareholder	13,267	16,569
Cash and cash equivalents	70,780	73,366
Pledged bank deposits	1,693	5,457
Deferred tax assets	1,792	1,854
Tax recoverable	143	146
Unallocated head office and corporate assets	15,666	5,187
	<u>307,698</u>	<u>326,301</u>
Consolidated total assets	<u>307,698</u>	<u>326,301</u>
Liabilities		
Reportable segment liabilities	118,431	141,107
Tax payable	3,969	4,284
Unallocated head office and corporate liabilities	8,207	5,086
	<u>130,607</u>	<u>150,477</u>
Consolidated total liabilities	<u>130,607</u>	<u>150,477</u>

(c) **Geographic information**

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

	Revenue from external customers		Specified non-current assets	
	Unaudited For the six months ended 30 June 2024 US\$'000	Unaudited For the six months ended 30 June 2023 US\$'000	Unaudited As at 30 June 2024 US\$'000	Audited As at 31 December 2023 US\$'000
Hong Kong Special Administrative Region	–	18	4,994	606
Mainland China	45,355	65,117	32,856	34,546
North America	3,079	2,020	1,623	1,683
South America	21,216	13,025	435	432
Europe	1,150	2,592	82	5,361
Singapore	156	320	31,180	36,864
Indonesia	855	–	–	–
Middle East	353	1,342	1	–
Others	5,437	8,454	–	–
	<u>77,601</u>	<u>92,888</u>	<u>71,171</u>	<u>79,492</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	Unaudited For the six months ended 30 June	
	2024 US\$'000	2023 US\$'000
Interest income	599	1,002
Finance income from lease receivables	166	366
Rental income	69	120
Net foreign exchange (loss) gain	(1,346)	117
Government grant	10	115
Reversal of impairment losses on trade receivables	–	46
Others	401	24
	<u>(101)</u>	<u>1,790</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
Interest on lease liabilities	1,023	1,068
Other interest expenses	<u>–</u>	<u>4</u>
	1,023	1,072
Less: Interest on lease liabilities relating to sub-leasing of leased land drilling rigs included in costs of sales	(279)	(277)
Interest on lease liabilities relating to leased vessels included in costs of sales	<u>(671)</u>	<u>–</u>
	<u>73</u>	<u>795</u>

(b) Other items

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
Amortisation of intangible assets	95	89
Depreciation charge	<u>1,648</u>	<u>5,583</u>

7. INCOME TAX EXPENSES

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
Current tax		
Provision for the period		
– The People’s Republic of China (“ PRC ”) enterprise income tax	557	821
– Overseas corporate income tax	<u>686</u>	<u>166</u>
	1,243	987
Under/(Over) provision in respect of prior years	<u>61</u>	<u>(513)</u>
	1,304	474
Deferred tax		
Origination of temporary difference	<u>–</u>	<u>57</u>
	<u><u>1,304</u></u>	<u><u>531</u></u>

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the current and prior periods. Taxation for subsidiaries in other jurisdictions is charged at the corresponding current rates of taxation ruling in the relevant jurisdictions. During both periods, the statutory tax rate in the PRC is 25% and certain PRC subsidiaries are subject to tax at a reduced rate of 15% under the relevant PRC tax rules and regulations.

8. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2024 is based on the profit attributable to owners of the Company of approximately US\$4,786,000 (six months ended 30 June 2023: US\$4,791,000) and the weighted average number of 3,172,935,000 (six months ended 30 June 2023: 3,172,935,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 June 2024 and 2023 because there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions to property, plant and equipment amounted to approximately US\$597,000 (six months ended 30 June 2023: US\$48,718,000).

11. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
Trade debtors and bills receivables	126,937	126,020
Less: loss allowance	(60,034)	(60,183)
	66,903	65,837
Other receivables, prepayments and deposits	20,055	22,967
Amount due from its controlling shareholder	13,267	16,569
Prepaid on behalf of its fellow subsidiaries	5,972	5,972
	106,197	111,345
Less: Non-current portion of prepayments	(576)	(888)
	105,621	110,457

As at 30 June 2024, trade debtors and bills receivables and other deposits included approximately US\$10,039,000 (31 December 2023: US\$15,747,000) due from, and rental deposits of approximately US\$48,000 (31 December 2023: US\$62,000) paid to, subsidiaries of CM Industry, in connection with the sales of products to and lease arrangements with these related parties respectively.

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 management and engineering services are normally 30 to 90 days. The credit terms offered to customers 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.

All of the trade debtors and bills receivables from contracts with customers are within the scope of HKFRS 15.

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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
Within 1 month	51,986	26,703
More than 1 month but within 3 months	4,949	14,186
More than 3 months but within 12 months	7,951	13,693
More than 12 months but within 24 months	1,883	2,408
More than 24 months	133	8,847
	66,903	65,837

12. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
Trade creditors and bills payables	22,351	34,014
Consideration payable for acquisition of a business	–	754
Payable for capital injection into associates	4,131	9,567
Amount due to a non-controlling interest of a subsidiary	264	262
Other payables and accrued charges	20,789	15,588
	47,535	60,185

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
Within 1 month	7,133	13,408
More than 1 month but within 3 months	4,150	7,235
More than 3 months but within 12 months	6,524	9,472
More than 12 months but within 24 months	1,916	1,592
More than 24 months	2,628	2,307
	22,351	34,014

13. CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 30 June 2024 and 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The outlook for global economic growth in 2024 remains tepid, with global economic growth this year still below the pre-pandemic average due to tighter monetary policies and heightened geopolitical uncertainties. Expansion of trade in goods is expected to drive a recover in global trade growth this year, but it will still be below the pre-pandemic average. As bringing inflation back towards the target level is a gradual process, it is expected that high interest rates will remain over a period. Since the beginning of 2024, China's economy has stabilized after going through a recovery phase following the pandemic, but the economic growth rate has slowed down slightly, and facing the problems of insufficient effective demand, increasing deflationary pressure and trade friction.

Facing the severe external market environment and supply cost shock, the Company deployed proactively and reacted quickly. In the beginning of 2024, we established and issued a five-year strategic plan to build a “Hydrogen, Machinery, Electricity” industrial layout, focused on green energy end-products, mastering core technologies, forged manufacturing capabilities and created competitive products in the areas of hydrogen-based fuel production and sales (hydrogen), energy and shipbuilding and offshore equipment manufacturing (machinery), and electric power drive and control (electricity). We are committed to being an industry's leading provider of technologically innovative green energy and equipment services.

With regard to production and sales of hydrogen-based fuel, the Company gradually enriched its green methanol industry team and technical and expert teams in the first half of the year, compared green methanol preparation technology routes, and set clear targets for the green methanol preparation demonstration project. The “R&D and Industrialization of Off-grid High-performance Alkaline Hydrogen Generation Equipment” (離網高性能鹼性制氫裝備研發及產業化) project of Hua Xia Hydrogen Technology (Xiamen) Co., Ltd.* (華商廈庚氫能技術(廈門)有限公司) (“**Hua Xia Hydrogen**”) won the gold prize in the 3rd TERA-Award Smart Energy Innovation Competition out of 450 projects from 59 countries and regions around the world; and the first sale of hydrogen electrolysis equipment was realized. The Company is also actively seizing the opportunities of the booming global hydrogen industry to proactively connect with overseas hydrogen projects. Currently, we have established communication with several well-known overseas enterprises, and through technical exchanges and business matching meetings, we have explored the latest progress and application prospects of hydrogen technology, which covers the key aspects of the upstream and downstream of the hydrogen industry chain, and involves several dimensions, including technological innovation, product development and market expansion.

With regard to energy and shipbuilding and offshore equipment manufacturing, the successful delivery of several material projects in the first half of the year signaled the full validation of the Company's strength and efficiency in this area. At the same time, the Company has actively responded to market demand and continuously broadened its product range. We have made breakthroughs in the manufacture of energy-saving and environmentally friendly equipment for ships and has achieved a breakthrough in the sales orders of windsurfing products for the first time. The positive results of the exploration and practice in this new energy area demonstrate the Company's firm commitment to the concept of sustainable development. In terms of equipment research and development, the 3D compensated gangway project for the deep-sea wind power service operation vessels (SOVs) and the development and application of hybrid power systems for ships have completed the design and manufacture of samples, and the gangway project will be completed in the second half of the year for sea trials and certification, which laying a solid foundation for the Company's business transformation to the shipbuilding and offshore supporting field to take a place in the field of new energy ship equipment manufacturing and supporting businesses.

In respect of overseas business development, the PEMEX project in Mexico has entered the execution stage, and the deployment of the first 2,000HP onshore drilling rig and the second 3,000HP drilling rig are progressing in an orderly manner in accordance with the established plan, and the delivery is expected to be completed smoothly in the second half of this year. Meanwhile, the leases of two offshore drilling rigs, namely Gulf Drill No. 6 (灣鑽6號) and Gulf Drill No. 8 (灣鑽8號), which are operated by the Company, are in good leasing condition and stable operation.

At the electric drive and control technology level, in the first half of the year, we focused on the successful delivery of the bow thruster drive and electric control system, as well as the multiple sets of elevator and crane electric control systems, with remarkable results. In addition, the Company has accelerated its first self-developed hybrid power system project and axial belt generator project, which are expected to be delivered in the second half of the year. At the same time, we also actively engaged in the research and development of SVG (static VAR generator), flexible hydrogen production power supply device and its control system, and we strive to make more breakthroughs and innovations in the field of new energy and power control technology.

In the first half of 2024, under the leadership of the Company's core management team, the sales revenue for the first half of the year amounted to US\$77.6 million, representing a year-on-year decrease of 16.5%; and the profit for the period amounted to US\$4.8 million, representing a year-on-year decrease of 0.1%.

FINANCIAL REVIEW

	Unaudited			
	For the six months ended 30 June			
	2024	2023	Change	
	US\$'000	US\$'000	US\$'000	%
Revenue	77,601	92,888	(15,287)	(16.5)
Gross profit	17,538	16,975	563	3.3
Gross profit margin	22.6%	18.3%		
Profit from operations	5,715	6,488	(773)	(11.9)
Net profit attributable to owners of the company	4,786	4,791	(5)	(0.1)
Profit for the period	4,784	4,791	(7)	(0.1)
Net profit margin	6.2%	5.2%		
Earnings per share (basic and diluted)	<u>US0.15 cent</u>	<u>US0.15 cent</u>	<u> </u>	<u> </u>

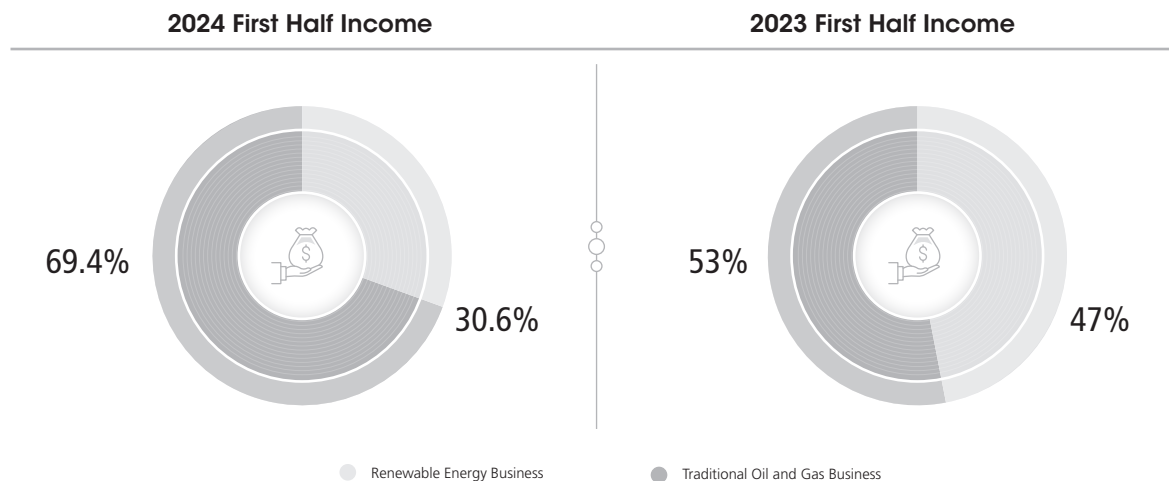
Revenue

The Group's revenue decreased from US\$92.9 million in the first half of 2023 to US\$77.6 million in the first half of 2024. It was mainly due to the equipments related to wind power installation being delivered in last year more than this year.

Segment Information by Business Segments

	Unaudited					
	For the six months ended 30 June					
	2024		2023		Change	
	US\$'000	%	US\$'000	%	US\$'000	%
Equipment manufacturing and packages	38,247	49.3	57,594	62.0	(19,347)	(33.6)
Supply chain and integration services	14,526	18.7	17,249	18.6	(2,723)	(15.8)
Assets management and engineering services	24,828	32.0	18,045	19.4	6,783	37.6
Total revenue	<u>77,601</u>	<u>100.0</u>	<u>92,888</u>	<u>100.0</u>	<u>(15,287)</u>	<u>(16.5)</u>

Sales revenue arising from equipment manufacturing and packages related to renewable energy business was approximately US\$23.7 million (representing 30.6% of the total revenue) and US\$53.9 million from traditional energy sector for the first half of 2024. Compared with same period last year, there was only US\$43.4 million (representing 47% of the total revenue) revenue arising from renewable energy business.



Equipment manufacturing and packages

Revenue recognised in equipment manufacturing and packages projects decreased by 33.6% from US\$57.6 million in the first half of 2023 to US\$38.2 million in the first half of 2024, which was mainly due to the equipments related to wind power installation being delivered in last year more than this year.

Supply chain and integration services

The decrease in revenue of supply chain and integration services of 15.8% from US\$17.2 million in the first half of 2023 to US\$14.5 million in the first half of 2024 was mainly due to Mexico big project still in progress, a decline in the orders completed and delivered during the period as compared to the same period last year.

Assets management and engineering services

Assets management and engineering services revenue increased by 37.6% from US\$18.0 million in the first half of 2023 to US\$24.8 million in the first half of 2024, which was mainly related to business in managing and leasing of diving support and construction vessels.

Gross Profit and Gross Profit Margin

Gross profit increased by 3.3% from US\$17.0 million in the first half of 2023 to US\$17.5 million in the first half of 2024. Gross profit margin increased from 18.3% in the first half of 2023 to 22.6% in the first half of 2024. It was mainly because the projects with higher gross profit margin during the period accounted for a larger proportion of the Group's total revenue compared to the same period last year, which resulted in a higher overall gross profit margin compared to the same period last year.

Other Income, Gains and Losses, Net

Other income, gains and losses, net decreased by US\$1.9 million from US\$1.8 million in the first half of 2023 to US\$(0.1) million in the first half of 2024, which was mainly due to the increase in foreign exchange loss.

Selling and Distribution, General and Administrative Expenses

Selling and distribution, general and administrative expenses decreased by approximately 3.1% from US\$12.0 million in the first half of 2023 to US\$11.6 million in the first half of 2024. This decrease was mainly due to the decrease in the size of the business and revenue.

Other Expenses

Other expenses decreased from US\$318,000 in the first half of 2023 to US\$137,000 in the first half of 2024. It was mainly due to reduction of expenditure.

Finance Costs

Finance costs, being mainly interest on lease liabilities, amounted to approximately US\$0.1 million in the first half of 2024, representing a decrease of US\$0.7 million from US\$0.8 million in the first half of 2023. It was mainly because the finance cost from the right of use of leased asset in the first half of 2024 decreased compared with the same period last year.

Share of results of a joint venture

Share of results of a joint venture turned from a share of loss of US\$2,000 in the first half of 2023 to a share of results of US\$0 in the first half of 2024, which was mainly due to cessation of operations and completion of closure of the joint venture in the second half of 2023.

Cash Flows of the Group

For the six months ended 30 June 2024, the operating cash flows of the Group was net inflow of US\$2.2 million. In accordance with the requirements of HKFRS 16 – “Leases”, principal and interest related to finance leases have been included in the cash flows from financing activities. If the above-mentioned capital and interest was consolidated into operating cash flows on a management statement basis, cash generated from operations would be a net outflow of US\$16.6 million.

Group’s Liquidity and Capital Resources

As at 30 June 2024, the carrying amount of the Group’s tangible assets was approximately US\$48.2 million (31 December 2023: US\$54.6 million), including property, plant and equipment and investment properties.

As at 30 June 2024, the Group’s intangible assets was approximately US\$1.7 million (31 December 2023: US\$1.7 million), interest in associates was approximately US\$16.6 million (31 December 2023: US\$16.5 million), and deferred tax assets was approximately US\$1.8 million (31 December 2023: US\$1.9 million).

As at 30 June 2024, the Group’s current assets amounted to approximately US\$234.7 million (31 December 2023: US\$244.9 million). Current assets mainly comprised of inventories of approximately US\$35.1 million (31 December 2023: US\$40.0 million), trade and other receivables of approximately US\$105.6 million (31 December 2023: US\$110.5 million), lease receivables (current) of approximately US\$21.4 million (31 December 2023: US\$15.5 million), pledged bank deposits and time deposits of approximately US\$1.7 million (31 December 2023: US\$5.5 million) and cash and cash equivalents of approximately US\$70.8 million (31 December 2023: US\$73.4 million).

As at 30 June 2024, current liabilities amounted to approximately US\$113.3 million (31 December 2023: US\$128.3 million), mainly comprised of trade and other payables of approximately US\$47.5 million (31 December 2023: US\$60.2 million), tax payable of approximately US\$4.0 million (31 December 2023: US\$4.3 million), contract liabilities of US\$25.9 million (31 December 2023: US\$34.2 million) and lease liabilities (current) of approximately US\$35.9 million (31 December 2023: US\$29.7 million).

As at 30 June 2024, the Group had non-current liabilities of approximately US\$17.3 million (31 December 2023: US\$22.1 million), representing the non-current portion of lease liabilities. The Group monitors capital with reference to its debt position. The Group’s strategy is to maintain the gearing ratio, being the Group’s total liabilities to total assets, under 100%. The gearing ratio as at 30 June 2024 was 42.4% (31 December 2023: 46.1%).

Capital Structure

As at 30 June 2024, the Company had 3,243,433,914 shares in issue and carried a share capital of approximately US\$41,418,000. There was no issue of shares during the first six months of 2024.

Foreign Currency Exchange Exposures

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has foreign exchange exposure because most of the Group's subsidiaries in the PRC carrying out production locally using Renminbi. As at 30 June 2024, no related hedges were made by the Group.

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

Charge on Group's Assets

As at 30 June 2024, except for the pledged deposits, there was no charge on the other assets of the Group.

Contingent Liabilities

As at 30 June 2024, there was no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2024, the Group had a total of 496 full-time staff (31 December 2023: 468) in the United States, the United Kingdom, Brazil, Mexico, Singapore, Hong Kong and Mainland China. The remuneration of an employee under the Group's remuneration policy is basically determined based on the salary levels in different regions, employee rank and performance and market conditions. The Group also provides other benefits to all of its employees, including medical schemes, pension contributions scheme, share award incentive scheme, etc.

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, performance and contribution and commitments of the Directors to the Company, and is reviewed from time to time.

STRATEGY AND PROSPECTS

Industry Review

The global macroeconomy policies were diversified in the first half of 2024. It is expected that the Federal Reserve will continue to delay interest rate cut since the US economic statistics demonstrated a positive trend from January to June. At the same time, Switzerland, Sweden, Canada and the European Central Bank (ECB) have successively launched the interest rate cut cycle in the first half. In particular, after the landing of the interest rate cut by the ECB, the market expectation that the Federal Reserve will cut interest rate raised, and the US dollar index dropped instead of rise, which will have certain positive impact on oil price. In addition, benefited from the weak recovery in the Eurozone economy, the cutting of the required reserve rate and interest rate in the PRC, together with other favourable policies, the macroeconomy is expected to recover in an upward manner.

Affected by above, the international oil price rose firstly and then dropped in the first half of 2024, and began to rebound in mid June. From January to June 2024, the oil price of WTI rose from US\$70.38/barrel on 2 January to US\$86.91/barrel on 5 April, and dropped to near US\$80/barrel. The oil price of Brent rose from US\$75.89/barrel to US\$91.17/barrel, and dropped to near US\$85/barrel for the corresponding period. As of 18 June, the average price of WTI was US\$78.52/barrel in the first half of the year, representing a year-on-year increase of 4.9%. The average price of Brent was US\$83.19/barrel, representing a year-on-year increase of 4.1%.

The continuous improvement in demand and the restriction on supply growth made the offshore market become stronger in the past six months. The Clarkson Offshore index (tracking dayrates of rig, OSV and subsea vessels) reached 112.4 points in March 2024, rising by 72% compared to the average level in last 10 years and close to 114 points, the historical peak in 2008. In May, the dayrate index of jack-up rigs recorded a year-on-year increase of 17.35%, while the dayrate index of floating rigs recorded a year-on-year increase of 15.36%, both made a new record since 2018. Given that the demand is still strong and the supply is still restricted, the prospect of the offshore market will remain positive. The Clarksons offshore composite index is expected to break the historical record during the year and continue to grow in 2025.

All the segments of offshore market recorded strong performance in the first half of 2024. The utilisation rate of offshore drilling rigs has increased further to over 88% at present and will continue to increase. OSV index recorded a year-on-year increase of 28%, and the dayrates in certain regions have reached record high. Though the subsea market was normally cold in the first quarter, the subsea support vessel market still performed well, with the multi-purpose support vessel index rising by 30% year-on-year. Orders of MOPU remained sound and the market's concern on energy safety will drive the FLNG order of this year to a new record.

In the first half of 2024, hydrogen energy was included in the government’s report for the first time. Energy conservation and carbon reduction proposal enlightened the prospect of the hydrogen energy industry chain. Guided by the national medium- and long-term plan, the five demonstration cities took the lead to draw the layout of the hydrogen fuel cell vehicle policies, which demonstrated a promising future for the hydrogen energy industry. In March 2024, the State Council indicated in the Report on the Work of the Government that the development of the hydrogen energy industry will be accelerated. The central government positioned it as “frontier emerging industry” and mentioned “hydrogen energy” in the national annual economic development plan, and highlighted the active development of hydrogen energy industry. Besides, the State Council deployed key tasks in the 2024–25 Energy Conservation, Carbon Reduction Action Plan released in May, which contains 27 tasks covering 10 aspects of actions, such as actions to be taken to reduce and substitute fossil energy consumption and upgrade non-fossil energy consumption (including hydrogen energy), and specifies 6 supporting measures. With the release of the national incentive funds and the launch of various local and central policies in 2024, the policy system became more improved and the prospect of hydrogen energy industry chain will be more promising.

Meanwhile, the developed economies around the world put more efforts on hydrogen energy and other clean energy infrastructure construction, with a view to realise carbon neutrality target. Therefore, the room for future market of hydrogen energy is huge. In February 2024, European Union mentioned in the IPCEL Hy2Infra that 32 companies will participate in 33 projects relating to hydrogen energy, including the construction of large-scale electrolyzers to produce renewable hydrogen, establishing new and repurposed hydrogen transmission and distribution pipelines spanning about 2,700 km, as well as developing large-scale hydrogen storage facilities. 7 countries, namely France, Germany, Italy, the Netherlands, Poland, Portugal, and Slovakia will provide EUR6.9 billion to the plan as public funds, which is expected to unlock EUR5.4 billion in private investments. In May 2024, the Hydrogen and Fuel Cell Technologies Office (HFTO) in the U.S. Department of Energy (DOE) set forth the short-, medium- and long-term goals for the development of U.S. hydrogen and fuel cell industry in Multi-Year Program Plan (MYPP), which includes six subprograms: hydrogen production, hydrogen infrastructure, fuel cell technologies, systems development and integration, systems analysis, and safety, codes and standards. The analysis report, Hydrogen Insights 2023, jointly issued by the international Hydrogen Council and McKinsey & Company, a management consulting company, shows that, with the strong growth in global hydrogen industry, the global direct investments in hydrogen industry are expected to reach US\$320 billion by 2030.

According to the statistics from market agencies, in the first half of 2024, new bidding for alkaline electrolyzers in China has reached nearly 300MW, with 200MW of bidding has finished. In addition, 9 bidding projects of green hydrogen EPC relating to approximately 2GW of electrolyzers were newly added in the first half of the year. Without taking into consideration of EPC projects, the performance of green hydrogen market in the first half of the year was not as good as expected, which was mainly due to the fact that the large-scale green hydrogen projects invested by the state-owned enterprises were put into operation gradually in 2023, which were used to verify the reliability of the alkaline electrolyzers in China for large-scale production and industrialisation. After these verification projects, the bidding situation of electrolyzers in China improved significantly since June 2024 and is expected to burst subsequently.

Strategy, Prospects and Orders

At the beginning of 2024, the Company established and issued a five-year strategic plan to 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, create competitive products and strive to become a leading technology-based new green energy enterprise and equipment service provider.

In the first half of 2024, the Company will delve deeply into key traditional business markets, consolidate the basics of conventional business, adjust sales strategies in a timely and effective manner, and maintain market share; dig deeper in offshore and marine industry chain such as ordinary vessels, PCTCs, SOVs and chemical carriers, based on marine engineering related products, while continuously optimizing and upgrading existing products. Research and planning for new products and markets in the next three years will be carried out in advance, and existing products and technologies will be upgraded and further developed. At the same time, leveraging on the opportunity of green energy and related equipment, the Company actively participates in the research and development and manufacturing of equipment represented by methanol gas supply systems.

In the energy and marine equipment sector, the Company strives to improve production and management standards, and has successfully delivered several projects. At the same time, the product portfolio continues to expand, and sales breakthroughs have been achieved in vessel energy-saving and environmental protection products. The first set of rigid sails has been delivered and the Company has signed sales contracts for a total of 7 sets of rigid sails from March to June 2024. In terms of global markets, the PEMEX land rig upgrading project in Mexico has entered execution phase. The first 2,000HP and second 3,000HP drilling rig are scheduled to be delivered in the second half of the year.

In the green energy sector, the Company focuses on the application of hydrogen-based energy in the downstream scenario, continuously tracking the opportunity of water electrolysis hydrogen production project and chasing orders for hydrogen production and refilling equipment. On this basis, the Company actively expands its green energy industry layout and focuses on the application and promotion of new hydrogen-based fuels such as green methanol and green ammonia.

In terms of hydrogen energy equipment, our associate, Hua Xia Hydrogen successfully delivered the first set of alkaline water electrolyser in the first half of 2024 and built a 12MW multifunctional water electrolyser test base in Zhangzhou, Fujian, which was put online on 29 March 2024. The Company actively connects with overseas hydrogen energy project opportunities and explores overseas market orders and agency business cooperation opportunities. In addition, the Company has established a green methanol project team to carry out comprehensive research, study and analysis on the green methanol industry. Meanwhile, the Company actively connects with chemical engineering institutes and their partners through the green methanol project to carry out joint research and development, technical demonstrations, accumulating relevant technologies and mastering intellectual properties.

For the aspect of technology innovation, to improve the management level of technology innovation and standardize the management of research and development (R&D) projects, the Company has established the Technology Innovation Office to coordinate and manage the Company's technology innovation tasks. There are currently 13 R&D projects in execution, including 1 provincial project, 5 commissioned R&D projects, 1 joint R&D project, and 6 self-research projects. The R&D investment for this year is estimated to be approximately RMB27 million.

The Company adheres to steady development and strengthens corporate governance. In the first half of the year, we completed the optimization of the board structure, including reducing the number of directors in the traditional oil field, introducing experts in the green energy field and external directors with rich audit experience. On the other hand, the Company actively practices ESG sustainable development, improves competitiveness and wins social confidence. The Company was awarded the "Top10 Model Innovation Contribution" at the 7th (2024) China Energy Industry Development Annual Conference and the 15th Anniversary Celebration of China Energy News, gained widespread attention from the market.

FUTURE PLANS FOR MATERIAL INVESTMENTS, CAPITAL ASSETS AND CAPITAL INTEGRATION

In the first half of 2024, the Company continued to place emphasis on investment opportunities in high-tech and high-end energy equipment sectors such as wind power, hydrogen energy, hydrogen-based fuel and low carbon products. The Company will also seek potential projects and investment and integration opportunities in relation to industry chain based on the existing energy equipment service.

In respect of green energy, along with previous investment and operation, the Company has completed the second round of capita increase in Hua Xia Hydrogen at the end of last year. Since the first half of 2024, the Company has further strengthened the governance over the joint venture with its focus on building an excellent brand for electrolyser products and striving for obtaining potential orders. In addition, the Company is preparing the JV to get further capital injection through the introduction of strategic investors. In terms of the investment in the green energy, the Company will follow the development trend of hydrogen-based fuels. Based on our in-depth research on the related production technologies and market prospects of green methanol, the Company intends to invest in the production of green methanol through portfolio investment and cut into the upstream industry of green energy (hydrogen/alcohol/ammonia) as the head of value chain, to build a hydrogen-based fuel supply and marketing platform and develop the bunkering business.

In respect of energy equipment supporting, the Company will continue to follow up the offshore wind power installation vessel market project. In the future, the Company will endeavour to strive for the rare resource of high-specification wind power installation vessel projects in the market, and continue to consolidate its industrial foundation for high-end equipment manufacture. Secondly, the Company will focus on the offshore wind power service operation vessel (SOV) market. According to market analysis, offshore wind power SOV will become another investment theme, and the Active Motion Compensated (AMC) gangway is a core equipment for offshore wind power SOV. The Company has already produced the first set of prototypes. Sea trials and procedures of obtaining certification will be completed in the second half of the year, which will contribute to subsequent orders. The Company's cooperation with BAR, a British company, in the design and production of rigid sails has taken effect in the first half of the year, and the Company has made a breakthrough in the manufacturing orders for energy-saving and environmental protection equipment with sales contracts signed for 7 sets of sails in the first half of the year. The production under such contracts will be performed as scheduled in the second half of the year.

In respect of overseas markets, as the oil and gas market picks up, the Company will continue to exploit the Mexican market. The new project of PEMEX land rig upgrading and top drive operation and maintenance services has entered into the execution stage. Meanwhile, based on its existing offshore asset management business, the Company assisted its shareholder, China Merchants Industry Holdings Co., Ltd., to secure charters for the two diving support vessels and actively identified potential buyers in the market, laying a foundation for asset sale at a later stage.

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

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures as well as hold any significant investments during the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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 2024. No award was granted under the 2015 Share Award Plan during the six months ended 30 June 2024.

Accordingly, there was (i) no unvested award granted to the 2015 Plan Eligible Persons under the 2015 Share Award Plan as at 30 June 2024; and (ii) no award vested, cancelled or lapsed under the 2015 Share Award Plan during the six months ended 30 June 2024.

Under the 2015 Share Award Plan, the trustee held 8,446,456 Shares as at the date of this announcement, representing approximately 0.26% of the issued share capital of the Company.

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 on 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 2024. No award was granted under the 2019 Share Award Plan for the six months ended 30 June 2024. Accordingly, there was (i) no unvested award granted to the 2019 Plan Eligible Persons under the 2019 Share Award Plan as at 30 June 2024; and (ii) no award vested, cancelled or lapsed under the 2019 Share Award Plan during the six months ended 30 June 2024.

Under the 2019 Share Award Plan, the trustee held 62,052,544 Shares as at the date of this announcement, representing approximately 1.91% of the issued share capital of the Company.

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 six months ended 30 June 2024. Accordingly, (i) there was no unvested award granted to the Incentive Scheme Eligible Persons under the Share Award Incentive Scheme as at 1 January 2024; (ii) no award was granted under the Share Award Incentive Scheme for the six months ended 30 June 2024; and (iii) there was (a) no unvested award granted to the Incentive Scheme Eligible Persons under the Share Award Incentive Scheme as at 30 June 2024; and (b) no award vested, cancelled or lapsed under the Share Award Incentive Scheme during the six months ended 30 June 2024.

21,213,606 awards and 21,213,606 awards were available for grant under the Incentive Scheme Limit as at 1 January 2024 and 30 June 2024, respectively.

Amendments to the 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.

As no option or share award was granted under all share schemes of the Company during the six months ended 30 June 2024, no Shares may be issued in respect of thereof.

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

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), as recorded in the register required to be kept by the Company pursuant to the required standard of dealings by the Directors as referred to in Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of Directors	Number of issued ordinary Shares of HK\$0.10 each in the Company				Total	Approximate percentage of the Company's issued share capital (Note 1)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Zhang Menggui, Morgan	65,979,100	–	–	–	65,979,100	2.03%
Mr. Chan Ngai Sang, Kenny ⁽²⁾	<u>500,000⁽²⁾</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>500,000⁽²⁾</u>	<u>0.02%⁽²⁾</u>

Note:

1. The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at 30 June 2024.
2. Mr. Chan Ngai Sang, Kenny resigned as an independent non-executive Director on 5 July 2024.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to the required standard of dealings by the Directors as referred to in Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2024, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the shareholding (Note 4)
China Merchants Group Limited (Note 1) ("CM Group")	Corporate	1,530,372,000	47.18
China Merchants Steam Navigation Company Limited (Note 1) ("CM Steam Navigation")	Corporate	1,530,372,000	47.18
China Merchants Industry Holdings Co., Ltd. (Note 1) ("CM Industry")	Corporate	1,530,372,000	47.18
China Merchants Heavy Industry Holdings Limited (Note 1) ("CM Heavy Industry")	Corporate	1,530,372,000	47.18
Prime Force Investment Corporation (Note 1) ("Prime Force")	Beneficial Owner	1,530,372,000	47.18
Minyun Limited	Beneficial Owner	284,751,000	8.78
China International Marine Containers (Group) Co., Ltd. (Note 2) ("CIMC Group")	Corporate	185,600,000	5.72
China International Marine Containers (Hong Kong) Ltd. (Note 2) ("CIMC HK")	Beneficial Owner	185,600,000	5.72

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of the shareholding (Note 4)
China State Shipbuilding Corporation Limited (Note 3) (“CSSC”)	Corporate	174,394,797	5.38
CSSC Offshore & Marine Engineering (Group) Company Limited (Note 3) (“CSSC Offshore”)	Corporate	174,394,797	5.38
CSSC Huangpu Wenchong Shipbuilding Company Limited (Note 3) (“Huangpu Shipbuilding”)	Corporate	174,394,797	5.38
Wah Shun International Marine Limited (Note 3) (“Wah Shun”)	Beneficial Owner	174,394,797	5.38

Notes:

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

CM Industry holds 100% of the equity interest in CM Heavy Industry, and is a wholly-owned subsidiary of CM Steam Navigation, which in turn is a wholly-owned subsidiary of CM Group. CM Industry, CM Steam Navigation and CM Group are respectively deemed to be interested in the 1,530,372,000 Shares that CM Heavy Industry is interested in under Part XV of the SFO.

2. CIMC Group holds the entire issued share capital of CIMC HK. Therefore, CIMC Group is deemed to be interested in the 185,600,000 Shares held by CIMC HK under Part XV of the SFO.
3. CSSC holds 35.5% of the equity interest of CSSC Offshore, which in turn holds 54.54% of the equity interest of Huangpu Shipbuilding. CSSC also holds directly 14.48% of the equity interest of Huangpu Shipbuilding, which directly holds 99% of issued shares of Wah Shun. Therefore, CSSC, CSSC Offshore and Huangpu Shipbuilding are deemed to be interested in the 174,394,797 Shares held by Wah Shun under Part XV of the SFO.

4. The percentage is calculated on the basis of 3,243,433,914 Shares in issue as at 30 June 2024.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2024, no person (other than the Directors or chief executives of the Company) had an interest or a short position in Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the six months ended 30 June 2024.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, namely Mr. Xue Jianzhong (being the chairman of the Audit Committee), Mr. Zou Zhendong and Ms. Zhang Zhen. All of them are independent non-executive Directors. The Audit Committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2024 and is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has no disagreement with the accounting treatment adopted by the Group.

DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent companies was a party or were parties and in which a Director or his/her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30 June 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standards of dealings as set out in the Model Code as set forth in Appendix 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 during the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices to ensure transparency so that the interests of the shareholders and the cooperative development among customers, employees and the Group can be safeguarded. The Company has adopted the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”).

During the six months ended 30 June 2024, the Company has complied with the code provisions of the CG Code.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Second Amended and Restated Articles of Association of the Company have been adopted by way of a special resolution passed at the annual general meeting of the Company held on 17 May 2024 (“**AGM**”). For details of the amendments, please refer to the announcement of the Company dated 22 March 2024, the circular dated 19 April 2024, and the announcement on the poll results of the AGM dated 17 May 2024. An up-to-date version of the Second Amended and Restated Articles of Association is available on the Company’s website at www.cm-energy.com and the Stock Exchange’s website.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Tam Wing Tim was appointed as a non-executive Director and the Vice President of the Company on 29 August 2023. He holds a bachelor’s degree of arts in accountancy from the Hong Kong Polytechnic University and is a member of the Association of Chartered Certified Accountants (ACCA). From October 1997 to July 2000, Mr. Tam worked as a clerk in the credit department and the remittance department of United Chinese Bank. From August 2000 to July 2001, Mr. Tam was a clerk in the remittance department of the Bank of East Asia. From August 2001 to December 2023, Mr. Tam was the deputy general manager of the finance department (with full departmental treatment), the assistant to the general manager of the financial department, the business manager of the financial department, the director of the financial department, the deputy director of the financial department of CM Industry and also a director and the chief financial officer of Yiu Lian Dockyards Limited.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH RULE 3.10A OF THE LISTING RULES

Following the resignation of Mr. Sun Dongchang on 23 November 2023, the Company was unable to meet the requirement set out in Rule 3.10A of the Listing Rules as independent non-executive Directors represent less than one-third of the Board.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 3.10A of the Listing Rules, which was granted by the Stock Exchange on 4 March 2024.

Following the resignation of Mr. Jiang Binghua and Mr. Chen Weidong and the appointment of Ms. Zhang Zhen and Mr. Xue Jianzhong with effect from 22 March 2024, the Company has complied with the requirements under Rule 3.10A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, there has been no material subsequent events after 30 June 2024.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express sincere thanks to all the shareholders for their continuous support and to all staff for their dedication and contribution to the Group during the six months ended 30 June 2024.

By Order of the Board
CM Energy Tech Co., Ltd.
Mei Xianzhi
Chairman

Hong Kong, 27 August 2024

As of the date of this announcement, the Board comprises one (1) executive Director, namely Mr. Zhan Huafeng; five (5) non-executive Directors, namely Mr. Mei Xianzhi, Mr. Liu Jiancheng, Mr. Tam Wing Tim, Mr. Zhang Xizheng and Mr. Zhang Menggui, Morgan; and three (3) independent non-executive Directors, namely Mr. Zou Zhendong, Ms. Zhang Zhen and Mr. Xue Jianzhong.

* *For identification purpose only*