JUTAL

Stock Code: 03303

2024
ANNUAL REPORT

巨濤海洋石油服務有限公司

Jutal Offshore Oil Sevices Limited

(Incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

SHARE INFORMATION

Listing place	:	Main Board of the Stock Exchange of Hong Kong Limited
Stock code	:	03303
Listing date	:	21 September 2006
Stock name	:	Jutal Oil Ser
Issued shares	:	2,131,598,389 ordinary shares
Website	:	http://www.jutal.com

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan (Chairman)
Mr. Cao Yunsheng (resigned on 24 June 2024)
Mr. Liu Yunian (resigned on 12 January 2024)
Mr. Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)
Mr. Tang Hui (President) (appointed on 24 June 2024)

Non-executive director

Mr. Han Guimao (resigned on 12 January 2024)

Independent non-executive directors

Ms. Choy So Yuk, *B.B.S., J.P.*
Mr. Cheung Ngar Tat Eddie
Mr. Tam Kin Yip
Mr. Zhang Hua (appointed on 12 January 2024)

AUDIT COMMITTEE

Mr. Cheung Ngar Tat Eddie (Chairman)
Ms. Choy So Yuk, *B.B.S., J.P.*
Mr. Han Guimao (resigned on 12 January 2024)
Mr. Tam Kin Yip
Mr. Zhang Hua (appointed on 12 January 2024)

REMUNERATION COMMITTEE

Ms. Choy So Yuk, *B.B.S., J.P.* (Chairman)
Mr. Cao Yunsheng (resigned on 24 June 2024)
Mr. Zhao Wuhui (appointed on 24 June 2024 and resigned on 18 December 2024)
Mr. Tang Hui (appointed on 18 December 2024)
Mr. Cheung Ngar Tat Eddie
Mr. Tam Kin Yip

NOMINATION COMMITTEE

Mr. Wang Lishan (Chairman)
Ms. Choy So Yuk, *B.B.S., J.P.*
Mr. Cheung Ngar Tat Eddie
Mr. Tam Kin Yip

COMPANY REPRESENTATIVE

Mr. Tang Hui
Ms. Leung Fung Yee Alice

COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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Cayman Islands

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LEGAL ADVISORS

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18th Floor
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As to PRC law:

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Futian District, Shenzhen, The PRC

As to Cayman Islands law:

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Cayman Islands

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Admiralty
Hong Kong

INVESTOR ENQUIRY

Investor Relations

Jutal Offshore Oil Services Limited
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Fax : (86 755) 26694666
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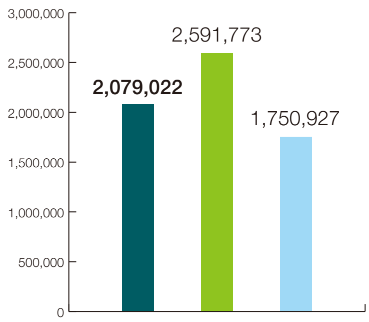
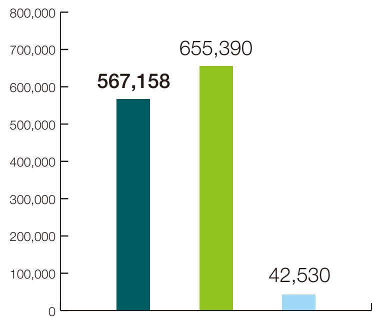
FINANCIAL HIGHLIGHTS

1. RESULTS (RMB'000)

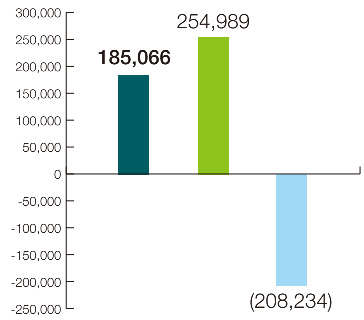
Revenue



Gross Profit



Net Profit/(Loss)



2024 2023 2022

2. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share were RMB9.04 cents and RMB8.96 cents respectively in 2024.

3. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Jutal Offshore Oil Services Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024 to the shareholders.

BUSINESS REVIEW

In 2024, the global economy demonstrated resilience amidst multiple challenges, though uncertainties remained due to factors such as geopolitical conflicts and rising trade protectionism. In this complex environment, the energy industry exhibited a trend of "resilience with evolving developments", with natural gas consumption reaching a record high, the share of renewable energy increasing, and the green transition progressing steadily.

Over the past year, the Group has navigated numerous challenges arising from both macroeconomic conditions and market challenges. Notably, in June 2024, Penglai Jutal Offshore Engineering Heavy Industries Company Limited* (蓬萊巨濤海洋工程重工有限公司) ("Penglai Jutal"), a wholly-owned subsidiary of the Company, was included in the Specially Designated Nationals and Blocked Persons List ("SDN List") by the Office of Foreign Assets Control ("OFAC") of the United States Department of the Treasury. Although the Group currently does not have any asset or business in the United States, this development has significantly affected intentions of some clients for the business cooperation and is bringing uncertainties to Penglai Jutal's potential orders and some contracts settlement, which may have a significant adverse impact on part of the Group's business development.

Demonstrating unwavering resilience in the face of challenges, the Group closely monitored the situation, conducted ongoing assessments, and maintained proactive communication with all relevant parties. It implemented various measures to address accounts receivable issues, strengthened risk management throughout its operations, and advanced its business initiatives in a steady and sound manner. Through unwavering efforts, the Group successfully delivered outstanding performance across existing projects, achieving robust results.

* *For identification purposes only*

CHAIRMAN'S STATEMENT

In accordance with the business development strategic plan, the Group has established a detailed engineering department in the second half of 2024 to establish a full-professional engineering team related to detailed module design and develop design management processes and standards to form detailed design capabilities for the module business and promote the strategic transformation of the module business to high added value.

During the year, the Group also continued to upgrade and renovate its construction site, expanding site areas and equipment to meet project assembly requirements.

During the reporting period, the Group continued its efforts to reduce costs and improve efficiency. Specifically, it promoted the localization of project materials, reformed and optimized operational plans and processes, and further advanced the upgrade and application of digital systems and intelligent equipment. The Group successfully developed system functionalities covering design, supply chain management, construction, and work-hour tracking, thereby enhancing operational and management efficiency.

The Group places great importance on safety management and fosters a culture of care, with leaders at all levels actively engaging in the integration of safety and production management. In 2024, the Group intensified health, safety and environmental protection training, strengthened on-site inspections, and maintained a strong record in project safety and production quality. Lost workday incident rate has remained at zero for ten consecutive years, with a total of 133 million safe working hours without lost workdays. All projects successfully met their quality targets, with no major quality incidents or significant customer complaints, earning a high level of customer satisfaction.

PROSPECTS

The global economy is expected to maintain moderate-to-low growth through 2025. However, geopolitical uncertainties and trade protectionism may pose challenges to the recovery process. Emerging markets will remain the primary drivers of global economic growth, while China seeks to consolidate its position in the global economy through green transformation and industrial upgrading.

Global energy demand is expected to experience modest growth, with the share of fossil fuels in the primary energy consumption mix gradually declining. The transformation towards a green and low-carbon economy remains a long-term trend. In this context, both nations and businesses must strengthen resilience amidst uncertainty, leveraging innovation and collaboration to navigate changes and seize new opportunities.

The future development of offshore wind power in both China and internationally is characterized by rapid growth and technological innovation. At the end of 2024, the Ministry of Natural Resources of the PRC introduced policies aimed at advancing offshore wind power development in deeper and more remote waters, while optimizing the utilization of maritime resources. In overseas markets, Europe and the Asia-Pacific region are expected to see mid-to-long-term demand growth, with deep-sea and floating wind power technologies emerging as global priorities.

Based on industry trends and feedback from relevant project tracking, the offshore wind power market is expected to present significant opportunities in the coming years. The Group is actively advancing its business transformation and upgrading efforts, positioning offshore wind power equipment construction as a key focus for its future development. To this end, the Group has established a dedicated business development team to implement targeted strategic plans to seize business opportunities in various regional markets. At the same time, the Group will continue to enhance the EPC capabilities of its existing module business.

Given that the current site conditions and related facilities are insufficient to meet the capacity requirements of upcoming prospective large-scale projects and wind power construction projects, the Group will commence the construction of a new quay in Zhuhai and introduce advanced facilities and equipment. Further site construction and modifications will be arranged in a timely manner based on order demand.

In the new year, the Group will implement its strategic plan with a focus on seizing opportunities, identifying risks, advancing reforms, and continuously enhancing its competitiveness in pursuit of new breakthroughs.

By Order of the Board
WANG Lishan
Chairman

Hong Kong, 26 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Revenue

As compared with last year, the workload of the Group's construction sites decreased. In year 2024, the Group recorded a revenue of approximately RMB2,079,022,000 representing a decrease of 19.78% or RMB512,751,000 as compared with that of year 2023. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and natural gas industries decreased by 22.47% or RMB534,311,000 as compared with that of year 2023. Revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries increased by 16.10% or RMB32,673,000 as compared with that of year 2023, and other revenue decreased by 97.38% or RMB11,113,000 as compared with that of year 2023.

The table below sets out the analysis of revenue by business segments for the years 2024, 2023 and 2022 respectively:

Business Segments	For the financial year ended 31 December 2024		2023		2022	
	RMB'000	Percentage to total revenue %	RMB'000	Percentage to total revenue %	RMB'000	Percentage to total revenue %
1 Fabrication of facilities and provision of integrated services for oil and gas industries	**1,843,134**	**92**	2,377,445	91	1,569,849	90
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	**235,589**	**8**	202,916	8	167,142	9
3 Others	**299**	**–**	11,412	1	13,936	1
Total	**2,079,022**	**100**	2,591,773	100	1,750,927	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB1,511,864,000 in year 2024, representing a decrease of approximately 21.92% or approximately RMB424,519,000 as compared with RMB1,936,383,000 in year 2023. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB1,295,770,000, representing approximately 85.71% of the total cost of sales and services, and a decrease of approximately RMB417,051,000 or approximately 24.35% from RMB1,712,821,000 of last year. The Group calculates the cost of sales and services of projects on an order-by-order basis. Since the composition of cost differs for each project, the composition of cost of sales and services varies from project to project. Manufacturing overheads have decreased by approximately RMB7,468,000 or 3.34% from RMB223,562,000 in last year to approximately RMB216,094,000 in year 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

The total gross profit of the Group for the year 2024 amounted to approximately RMB567,158,000, representing a decrease of approximately 13.46% or approximately RMB88,232,000 as compared with RMB655,390,000 in year 2023. The overall gross profit margin rose to approximately 27.28% from 25.29% of last year. The gross profit margin of the fabrication of facilities and provision of integrated services for oil and natural gas industries rose from 22.39% in year 2023 to approximately 24.45%. The gross profit margin of the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries dropped from 60.43% in year 2023 to approximately 49.61%. The gross profit margin of other businesses dropped from 3.93% in year 2023 to a gross loss rate of approximately 146.15%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. In addition to changes in business composition, the increase in the overall gross profit margin was mainly due to the Group's improvement in project management and strictly controlled costs, which resulted in higher gross profit in some items.

The following shows the breakdown of gross profit/(loss) by business segments for the years 2024, 2023 and 2022 respectively:

Business Segments	For the financial year ended 31 December								
	2024			2023			2022		
	RMB'000	Gross profit margin %	Percentage to total gross profit %	RMB'000	Gross profit margin %	Percentage to total gross profit %	RMB'000	Gross profit margin %	Percentage to total gross profit %
1 Fabrication of facilities and provision of integrated services for oil and gas industries	450,711	24	79	532,312	22	81	102,857	7	242
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	116,884	50	21	122,629	60	19	(60,886)	(36)	(143)
3 Others	(437)	(146)	–	449	4	–	559	4	1
Total	567,158		100	655,390		100	42,530		100

Other income

Other income of the Group in year 2024 amounted to approximately RMB26,876,000, mainly comprising interest income from bank deposits and income from government grants.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate increased by approximately 34.78% or approximately RMB94,159,000 as compared with that of year 2023 to approximately RMB364,903,000. Among them, the administrative expenses increased by approximately RMB115,300,000 as compared with that of year 2023, primarily resulting from the increase in the accrued employee compensation and the share based payment expense recognized in the year. Other operating expenses decreased by approximately RMB21,141,000.

Finance costs

Finance costs in aggregate amounted to approximately RMB10,986,000 in year 2024, which was mainly comprised of interests on bank borrowings of approximately RMB7,592,000 and bank charges and other finance costs of approximately RMB3,394,000.

Profit attributable to owners of the Company and profit per share

In summary, in year 2024, profit attributable to owners of the Company amounted to approximately RMB185,066,000 (2023: RMB254,989,000). Basic and diluted earnings per share attributable to owners of the Company for year 2024 was approximately RMB9.04 cents and RMB8.96 cents respectively.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB785,161,000 (2023: RMB752,805,000). During the year, net cash inflow from operating activities amounted to approximately RMB477,366,000, net cash outflow from investing activities amounted to approximately RMB79,011,000, and net cash outflow from financing activities amounted to approximately RMB373,867,000.

As at 31 December 2024, the Group had approximately RMB200,000,000 (2023: RMB104,290,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc.

As at 31 December 2024, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB270,100,000 (2023: RMB299,066,000).

MANAGEMENT DISCUSSION AND ANALYSIS

3. CAPITAL STRUCTURE

As of 31 December 2024, the share capital of the Company comprises 2,131,598,389 ordinary shares (2023: 1,981,598,389 ordinary shares). As at 31 December 2024, net assets of the Group amounted to approximately RMB2,175,401,000 (2023: RMB2,011,739,000), comprising non-current assets of approximately RMB1,364,899,000 (2023: RMB1,363,355,000), net current assets of approximately RMB903,423,000 (2023: RMB940,405,000) and non-current liabilities of approximately RMB92,921,000 (2023: RMB292,021,000).

4. SIGNIFICANT INVESTMENT

In the year, the renovation works of the west factory area of Penglai site were in the peak level and the renovation is expected to be completed in 2025.

Except as mentioned above, during the year ended 31 December 2024, the Group had no other significant investments, acquisitions or disposals.

5. FOREIGN EXCHANGE RISK

The principal place of production and operation of the Group is in the PRC, and the functional currency of the principal operating subsidiaries of the Group is RMB. The Group also operates its business overseas and possesses assets which are denominated in currencies other than RMB. Fluctuation of RMB against other currencies like United States Dollars ("USD") and Euros would bring certain foreign exchange risk to the Group. The Group would minimise the volume of business settlement and assets which were denominated in other currencies like USD and Euros, perform rolling estimates on foreign exchange rates, and would consider potential foreign exchange risk when entering business contracts.

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2024, approximately RMB64,618,000 (2023: RMB51,069,000) of the bank deposits of the Group were pledged as security deposits for bank borrowings, the issuance of performance bonds, letter of credits and bank acceptance, etc.

7. CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have significant contingent liabilities.

8. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital by using a gearing ratio, which is total borrowings and lease liabilities divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

The gearing ratios at 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Bank borrowings	85,500	309,300
Lease liabilities	20,486	23,825
Total equity	2,175,401	2,011,739
Gearing ratio	4.87%	16.56%

The decrease in gearing ratio for the period resulted mainly from the increase in total equity caused by profit incurred in year 2024 and decrease in bank borrowings and lease liabilities. The Group adjusts the amount of bank loan facilities from time to time to meet the Group's working capital needs.

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had total 2,181 employees (31 December 2023: 2,281 employees), of which 967 (31 December 2023: 1,026) were management and technical staff, and 1,214 (31 December 2023: 1,255) were technicians.

The Group encourages staff to long-term service, and strives to create a fair and open competition environment, committed to develop talents with management experience, professional skills and dedication. The Group determines the remuneration and incentives of employees with reference to the prevailing industry practice, and based on their position, duties and performance. The Group continues to optimize its salary and welfare policies to ensure that employees enjoy relevant benefits and rights in accordance with the law. By establishing an effective performance evaluation mechanism, the group regularly assesses employees' work performance, encourages employees to be proactive and improve performance. The Group contributes to social security funds and housing funds for employees according to the local laws and regulations.

The Group puts emphasis on staff development, encourages employees to pursue continuous education, and formulates training programs for employees.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Lishan (王立山), aged 65, is an executive director and chairman of the Company. He was graduated from Dalian Polytechnic University (大連理工大學) in 1982 with a bachelor's degree in offshore oil construction engineering. Mr. Wang has rich experience of management and administration in the oil and gas industries. Prior to joining the Group, he worked in Bohai Petroleum Company Platform Manufacturing Factory* (渤海石油公司平台製造廠) from 1982 to 1988 and Offshore Oil Company of Bohai Oil Company* (渤海石油公司) from 1988 to 1995. Mr. Wang currently also serves as director of several subsidiaries of the Group. He is the founder of the Group, and was appointed as an executive director of the Company in November 2005.

Mr. Tang Hui (唐暉), aged 52, is an executive director and president of the Company. He was graduated from Luoyang Institute of Technology (洛陽工學院) with a bachelor's degree in vehicle engineering. Mr. Tang joined the Group in 2000, and has served as engineer, project manager, and general manager of the Group's offshore oil and gas services business sector and vice president of the Company. He had been an executive director of the Company since 1 March 2016 to 25 August 2017, and since 8 June 2018 to 10 April 2020. Mr. Tang currently also serves as director of several subsidiaries of the Group. Prior to joining the Group, Mr. Tang had worked in Hunan Energy Group Co., Ltd.* (湖南動力集團有限責任公司) and Hong Kong Far East Steel Engineering Co., Ltd.* (香港遠東鋼鐵工程有限公司). Mr. Tang was appointed as an executive director of the Company in June 2024.

Independent non-executive Directors

Ms. Choy So Yuk (蔡素玉), *B.B.S., J.P.*, aged 74, is an independent non-executive director of the Company, Ms. Choy obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively and was a deputy of the 11th, 12th and 13th National People's Congress of the People's Republic of China. She was a member of the Legislative Council of Hong Kong from 1998 to 2008, was appointed the Justice of the Peace in 2005 and was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administration Region, the People's Republic of China in 2013. Ms. Choy is currently an independent non-executive director of Best Mart 360 Holdings Limited (Hong Kong stock code: 2360). She was also an independent non-executive director of Silk Road Logistics Holdings Limited (絲路物流控股有限公司) (Hong Kong stock code: 988) from 5 June 2009 to 11 September 2023, and Evershine Group Holdings Limited (永耀集團控股有限公司) (Hong Kong Stock Code: 8022) from 12 May 2015 to 12 January 2021. Ms. Choy was appointed as an independent non-executive director of the Company in June 2022.

Mr. Cheung Ngar Tat Eddie (張雅達), aged 54, is an independent non-executive director of the Company. Mr. Cheung has more than 20 years of experience in finance and accounting. He graduated from University of Wales College of Cardiff, United Kingdom with a Bachelor of Science in Accounting in 1994 and had served in PricewaterhouseCoopers Limited. Mr. Cheung was an assistant manager in the audit department of RSM Nelson Wheeler and mainly responsible for formulating audit procedures for listed companies in different industries, leading and guiding the audit team to carry out audit field works, and reporting the work progress to the audit partners in-charge on a regular basis, preparing audit finding report after completing the audit and presented to the audit committee of the listed company. He had been also responsible to formulate transaction plans and suggestions for mergers and acquisitions of corporate clients and assisted in the due diligence of target companies. Mr. Cheung had been the accounting manager of a multinational trading company and, responsible for formulating and supervising the risk management and set up internal control system of the finance department of the group and its subsidiaries, as well as guiding the work flow of the finance department of each subsidiary, preparing the monthly consolidated financial statements of the group and reporting to the board of directors. Mr. Cheung was the founder of a corporate finance consulting company in 2000. Mr. Cheung through such vehicle has provided services to Chinese enterprises for overseas financing and listing for the period from 2000 to 2003. He was the senior project manager and head of corporate restructuring of the corporate finance department in a Hong Kong legal firm from January 2003 to January 2020 and responsible for corporate and business restructuring and restructure for listing purpose. Mr. Cheung was appointed as an independent non-executive director of the Company in June 2022.

* *For identification purposes only*

Mr. Tam Kin Yip (譚健業), aged 50, is an independent non-executive director of the Company. He is a practicing Barrister-At-Law in Hong Kong and has rich experience in litigation. Mr. Tam was an independent non-executive director of Shunten International (Holdings) Limited (順騰國際(控股)有限公司) (Hong Kong Stock Code: 932) since 7 March 2017 to 1 September 2022. Mr. Tam was appointed as an independent non-executive director of the Company in August 2021.

Mr. Zhang Hua (張華), aged 62, is an independent non-executive director of the Company. Mr Zhang is a professor in the Department of Finance in The Chinese University of Hong Kong, and has extensive experience in executive training. His main research interests are in investments, capital markets, corporate finance and fixed income and derivative securities. Mr. Zhang obtained a bachelor degree in engineering from Tianjin University, and a master degree in business administration and a Ph.D. degree in Finance from McGill University. He also serves as an independent non-executive director and a member of audit committee of Sinomedia Holding Limited (中視金橋國際傳媒控股有限公司) (Hong Kong Stock Code: 623). Mr. Zhang was appointed as an independent non-executive director of the Company in January 2024.

AUTHORISED REPRESENTATIVE AND COMPANY SECRETARY

Ms. Leung Fung Yee Alice (梁鳳儀) is a practicing solicitor in Hong Kong, holds a Bachelor of Laws and has been a Member of The Hong Kong Institute of Chartered Secretaries before taking up her career in law as a solicitor. She is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). She has rich experience in commercial and corporate matters of all levels. Ms. Leung was appointed as the company secretary in June 2014.

SENIOR MANAGEMENT

Mr. Chen Xinzhou (陳新周), aged 45, is the chief financial officer of the Company. He graduated from Northwest University (西北大學) with a bachelor's degree in accounting in 2003. Mr. Chen Joined the Group in 2006 and has served as senior accountant, finance manager and deputy general manager of the Group's subsidiaries. Mr. Chen currently also serves as director of several subsidiaries of the Group. Prior to joining the Group, Mr. Chen had worked in Airmate Electric (Shenzhen) Co., Ltd.* (艾美特電器(深圳)有限公司) and Dawn Optoelectronics (Dongguan) Co., Ltd.* (敦樸光電(東莞)有限公司).

* *For identification purposes only*

DIRECTORS' REPORT

The Directors present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in fabrication of facilities and provision of integrated services for oil and gas industries, new energy and refining and chemical industries.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, and an indication of likely future developments in the Group's business, a discussion of the Group's environmental policies and performance, can be found in the "Chairman's Statement" and the "Management Discussion and Analysis" and the "Notes to the Consolidated Financial Statements" in this annual report, and the *Environmental, Social and Governance Report* published separately. Details of major financial key performance indicators can be found in the "Management Discussion and Analysis" and "Financial Summary" in this annual report. These discussions form part of this directors' report.

The principal activities of the subsidiaries are set out in note 24 to the consolidated financial statements.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the efforts and contributions of employees, always regards its employees as the most important partners, formulated various personnel management policies and offered reasonable wages and welfare on the basis of the well-being of its employees. It has established a series of employee policies demonstrating the Group's regulations and arrangements regarding recruitment, dismissal, salary, promotion, working hours, holidays, benefits, equal opportunities, anti-discrimination and diversification, committed to establishing an employment system that protects the employees' rights and interests, and a healthy and safe working environment for them. The Group supports employees' long-term development, organised different training plans according to the needs of positions and duties and provides various trainings and development opportunities for employees, assists them to improve their work knowledge and skills, and is committed to nurturing dedicated talents who excel in management and have professional skills.

The Group's customers include energy enterprises, chemical and refining enterprises, general construction contractors and professional equipment manufacturing contractors, and the Group provides customers with customised facilities and solutions. Many customers have established years of cooperation with the Group. The projects obtained by the Group are generally through tendering. The major customers of the year may not be the same as different projects undertaken each year. The Group also enters into service agreements with certain customers on a continuous basis in order to provide daily technical support to them for those long-term service business. While emphasise on maintaining the relationships with our customers, the Group also dedicates to explore new customers.

To maintain customers' satisfactory towards its products and services, the Group provides after-sales services to follow up customers' use of products. If the customers have encountered any technical problems, the Group will arrange relevant department to research on the problem and formulate the solutions. Technicians would be arranged for on-site maintenance if needed. The Group has the customer feedback and complaint collecting mechanism for the customers to file their comments and complaints. All the feedbacks are collected and analyzed by the project department of the Group to improve the product quality management.

The Group's suppliers include raw materials suppliers, equipment suppliers as well as labour and other services suppliers. In order to ensure that suppliers provide high-quality and stable raw materials, the Group selects suitable suppliers based on the supplier's background, history, and importance of products or services in accordance with the Supplier Management Procedures and the principles of "fairness, justice and openness".

The Group also pays attention to health, safety and environment related factors when selecting suppliers. With the *Procurement Department HSE Management Procedures*, the Group requires suppliers to be included in the Group's occupational health and safety management system. The Group's inspection team would conduct on-site supplier assessment according to the *Supplier On-Site Assessment Form* and *Supplier Questionnaire* to confirm if the suppliers fulfil the requirements on materials, equipment, logistics, health and safety and environmental management. If problems are found during the assessment, it would communicate with the suppliers and formulate the quality management upgrading measures.

Suppliers which met the requirements of the Group would be added to the *Qualified Supplier Directory* and received the *Notes to Qualified Suppliers* to further explain the requirements and expectations of the Group. The Group also conducted performance evaluations to suppliers periodically. If deficiencies are found, the Group would require suppliers to formulate measures to improve within a time limit, otherwise they would be disqualified and removed from the Qualified Supplier Directory.

POLICIES ON HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION AND THE PERFORMANCE

As an integrated services provider and equipment fabricator in energy and chemical and refining industries, health, safety and environmental protection represent the core corporate culture of the Group.

To effectively control the impacts of its businesses on the environment, the Group implements consistent environmental policies and waste management regulations for all operating projects. The Group sticks to the goal of "Safety Comes First, Prevention-Oriented, Environmental Protection, Continuous Improvement", to keep its businesses in line with relevant national laws and standards concerning safety production and environmental protection.

The Group has established a management structure related to environmental, social and governance. The Board is responsible for leading and monitoring the Group's policies, measures and performance and grants the production safety committee the power to perform tasks of environmental protection, responsible production and protection of health and safety in the key sites. The Board attaches great importance to its role in sustainable development issues, supervision on the work of the safety production committee, and continuous improvements of the health and safety management system.

To effectively manage the environmental, social and governance risks, the Group has established the *Risk and Opportunity Management Procedures* and the environmental management risk assessment team to identify and respond to the risks and opportunities at the construction sites, including but not limited to gas emissions, chemical pollution, waste management, occupational health and safety, and anti-corruption.

The Group values the occupational health and safety of its employees by putting safety on the first place in its business operations and strives to build a safe production environment. The Group has implemented the OHSAS18001:2007 certified occupational health and safety management system, and established the *Occupational Health, Safety, and Environmental Protection Policy* and *Management Manual*, as well as relevant safety production regulations and operating procedures based on this management system.

For employees' safety, the Group implements specific measures related to occupational safety in accordance with the *Employees Safety Manual and Occupational Health and Workplace Health Management Procedures*, providing guidance in various aspects including personal protective equipment, occupational health and hygiene, safe operating procedures, and occupational hazards. The Group has also formulated occupational safety trainings, such as providing new employees, employees of special types of work, and management personnel with various safety training and seminars to ensure that they have sufficient safety awareness and skills.

DIRECTORS' REPORT

As the Group attaches great importance to the personal health of employees, it conducts annual checkups for employees to ensure that they are in good health.

To ensure the effective operation of the occupational health and safety management system, the Group ensured the working environment and employee safety to comply with the system's requirement through tasks such as internal controls and compliance. The Group also regularly conducted safety inspections and safety risk assessments, and communicated with employees on occupational safety issues to evaluate the safety measures' effectiveness and formulate the corrective measures to reduce industrial accident casualties and safety accidents.

The Group understands that the emissions from business operation and the potential risks of environmental incidents have significant impacts on itself. It established an environmental management system applicable to Jutal's business operations and formulated the relevant handbooks based on international environmental management system standard ISO14001. Relevant policies of emissions management, resources utilization and environmental impact reduction were set, regarding to the procedures of management, operation and construction site operations.

Adopting the quantitative indicators of energy conservation required by the country, the Group lowers the consumption of energy and water resource, promotes campaigns regarding energy conservation and consumption reduction and records the production volume and energy consumption of its products. The Group attaches importance to the effective consumption of resources in the operation process. To ensure the effective use of resources and avoid waste, the Group has established resource management measures according to the occupational health, safety, and environmental policies, and make management regulations for the use of energy, water, and raw materials.

The Group paid attention to emissions from business operations and strived to reduce the impact of emissions on the surrounding environment. The Group implemented various measures to reduce emissions in accordance with the environmental management system. To ensure that the garbage and waste generated during the operation were handled properly, the Group formulated the *Waste Safety Management Regulations*, which stated that the wastes were recycled, sorted, stored or handled by certified contractors according to the wastes' categories.

The Group will continue to increase the communication channels of different stakeholders to better understand their expectations and opinions on the operation of the Group, and to respond to potential environmental and social risks as early as possible, so as to create long-term value for shareholders and society.

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules for the reporting year are set out in the Environmental, Social and Governance Report to be published in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group conducts its business mainly through the subsidiaries in mainland China as well as that in Singapore and Hong Kong and complies with the relevant laws and regulations of each business location. The Group keeps abreast of the possible impacts of the newly enacted laws and regulations or the amendments of existing laws and regulations on the Group's operations, and takes appropriate measures after evaluation.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's share premium reserve of approximately RMB1,375,888,000 (subject to section 34 of the Companies Act of the Cayman Islands and the Company's Articles of Association) can be distributed to shareholders of the Company (the "Shareholders") after deducting the accumulated profits of approximately RMB132,599,000.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIVIDEND POLICY

The Company does not have any pre-determined dividend payout ratio.

According to the dividend policy of the Company ("Dividend Policy"), in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others, the financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, business environment, any restrictions on payment of dividends, and any other factors that the Board may consider relevant.

The declaration and payment of dividends by the Company shall be determined at the sole discretion of the Board and shall be subject to the Memorandum of Association and the Bye-Laws of the Company and all applicable laws and regulations. The Dividend Policy will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be proposed or declared in any particular amount for any given period.

RESULTS AND DIVIDEND

Details of the Group's result for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 52.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

DONATIONS

During the reporting year, the Group did not make any donation.

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

In 2024, the authorised share capital of the Company is HK$40,000,000 (comprising 4,000,000,000 ordinary shares).

As at 31 December 2024, the share capital of the Company comprised of 2,131,598,389 ordinary shares (2023: 1,981,598,389 ordinary shares).

Details of the movements of the Company's share capital during the year are set out in note 41 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year 2024 or subsisted at the end of 2024.

PURCHASE SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). The Company did not hold any treasury shares during the reporting year.

DIRECTORS' REPORT

USE OF THE RAISED PROCEEDS

(i) On 15 March 2017, the Company entered into a subscription agreement with Sanju Environmental Protection (Hong Kong) Limited ("Sanju HK") and Golden Talent (HK) Technology company Limited ("Golden Talent"), pursuant to which the Company has conditionally agreed to allot and issue an aggregate of 803,562,111 subscription shares, of which Sanju HK and Golden Talent have conditionally agreed to subscribe for 641,566,556 shares and 161,995,555 shares respectively at the subscription price of HK$1.20 per subscription share (the net subscription price is approximately HK$1.197 per subscription share, and the close price of the share on 15 March 2017 was HK$2.00) (the "Subscription"). The Subscription has been approved by the shareholders of the Company at the extraordinary general meeting held on 26 May 2017 and completed on 2 June 2017.

The net proceeds from the Subscription was approximately HK$962,000,000. As at 31 December 2024, the raised fund has been used as follows:

Plan of use of proceeds from the Subscription as stipulated in the circular of the Company dated 11 May 2017	Use of proceeds from the Subscription as at 31 December 2024	Plan of use of the outstanding balance of the proceeds from the Subscription
(1) Approximately HK$500 million for the working capital in EPIC projects; and in built – transfer projects relating to the oil and gas equipment and facilities	All has been used as planned	–
(2) Approximately HK$250 million for the capital expenditure in improving and expanding the production facilities and office facilities in the Group's Zhuhai operation	During the reporting period, the funds were not utilized, a total of approximately HK$197 million has been used for the capital expenditure in the production and office facilities of the Group's Zhuhai site *(Note a)*	The remaining approximately HK$53 million will be kept for future capital expenditure in the production and office facilities in the Group's Zhuhai operation as necessary. It is estimated that the remaining balance of the proceeds will be used in year 2025 to year 2026
(3) Approximately HK$212 million for the general working capital of the Group	All has been used as planned	–

Note:

a. *Due to the poor market conditions in 2018, 2019, and 2021 to 2024 as there were lower-than-expected orders and insufficient workload and even the occurrence of project losses at the Zhuhai fabrication site, the Group took the initiative to slow down part of the investment in its Zhuhai site. The Group will gradually implement the investment in the production and office facilities in accordance with the market conditions, actual business requirement of the yard and its long-term planning.*

(ii) On 7 September 2022, First Shanghai Securities Limited (the "First Shanghai") and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through First Shanghai on a best efforts basis, up to a maximum of 300,000,000 new shares of the Company, to be allotted and issued by the Company under the general mandate granted to the Directors at the annual general meeting of the Company on 27 May 2022 (the "2022 Placing Shares"), to not less than six placees (professional, institutional and other investor(s) procured by First Shanghai who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons) at the placing price of HK$0.48 per 2022 Placing Share (the net placing price is approximately HK$0.46 per 2022 Placing Share, and the close price of the share on 7 September 2022 was HK$0.58) (the "2022 Placing"). The 2022 Placing has completed on 22 September 2022.

The net proceeds from the 2022 Placing were approximately HK$138,866,500. As at 31 December 2024, the raised fund has been used as follows:

Plan of use of proceeds from the Placing as stipulated in the circular of the Company dated 7 September 2022	Use of proceeds from the Placing as at 31 December 2024	Plan of use of the outstanding balance of the proceeds from the Placing
(1) Approximately HK$100 million for upgrading and renovating the Penglai site, including upgrading the equipment and facilities at the site	All has been used as planned	–
(2) Approximately HK$38,866,500 for the general working capital	All has been used as planned	–

(iii) On 15 February 2024, KGI Asia Limited (the "KGI") and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through KGI on a best efforts basis, up to a maximum of 200,000,000 new shares of the Company, to be allotted and issued by the Company under the general mandate granted to the Directors at the annual general meeting of the Company on 28 June 2023 (the "2024 Placing Shares"), to not less than six placees (professional, institutional and other investor(s) procured by KGI who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons) at the placing price of HK$0.42 per 2024 Placing Share (the net placing price is approximately HK$0.411 per 2024 Placing Share, and the close price of the share on 15 February 2024 was HK$0.465) (the "2024 Placing"). The 2024 Placing has completed on 7 March 2024, and 150,000,000 new shares were placed.

The net proceeds from the 2024 Placing were approximately HK$61,509,000. As at 31 December 2024, the raised fund has been used as follows:

Plan of use of proceeds from the 2024 Placing as stipulated in the announcement of the Company dated 15 February 2024	Use of proceeds from the 2024 Placing as at 31 December 2024	Plan of use of the outstanding balance of the proceeds from the 2024 Placing
1. Approximately HK$44,902,000 for Zhuhai Quay#2 construction at the existing Zhuhai site	Approximately HK$1,934,000 million was used during the reporting year	The remaining approximately HK$42,968,000 million is estimated be used in year 2025 to 2026
2. Approximately HK$16,607,000 for the general working capital of the Group	All has been used as planned	–

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 140 of the annual report.

DIRECTORS' REPORT

SHARE SCHEME

I. Share Option Scheme

The Company's 2016 share option scheme ("2016 Share Option Scheme") was adopted by Shareholder's resolution at the Company's annual general meeting held on 8 June 2016 with a valid period of 10 years commencing on the date of adoption. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 80,035,427 shares, representing 10% of the shares (800,354,278 shares) in issue on the date of the said annual general meeting.

The 2016 Share Option Scheme enables the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. Eligible participants include all full time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above of the Group, substantial Shareholders of each member of the Group, associates of the Directors and substantial Shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, services provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group.

The general scheme limit of the 2016 Share Option Scheme has been refreshed and approved by Shareholder's resolution at the Company's annual general meeting held on 8 June 2018. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 163,401,638 shares, representing 10% of the shares (1,634,016,389 shares) in issue on the date of the said annual general meeting.

The general scheme limit of the 2016 Share Option Scheme has been further refreshed and approved by Shareholder's resolution at the Company's annual general meeting held on 27 May 2022. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 168,130,638 shares, representing 10% of the shares (1,681,306,389 shares) in issue on the date of the said annual general meeting and approximately 7.89% of the shares (2,131,598,389 shares) on the date of this report.

According to the terms of the 2016 Share Option Schemes, the offer of grant of the share options should be accepted within 28 days from the date of grant and the consideration for the grant of the options should be HK$1.00. The options may be exercised in accordance with the terms of the 2016 Share Option Scheme and conditions under applicable award documents at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant.

The amendments to Chapter 17 of the Listing Rules have come into effect on 1 January 2023. In order to comply with such amendments, the 2016 Share Option Scheme was terminated and the Company's 2024 share option scheme ("2024 Share Option Scheme") was adopted by Shareholder's resolutions at the Company's annual general meeting held on 11 June 2024 with a valid period of 10 years commencing on the date of adoption. Unless approval of the shareholders has been obtained, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 213,159,838 shares, representing 10% of the shares in issue (2,131,598,389 shares) on the date of the said annual general meeting and the date of this report.

The purpose of the 2024 Share Option Scheme is to enable the Company to grant Options to selected eligible participants to: (i) recognise and/or reward their contributions or potential contribution to the Group and provide them with an opportunity to acquire a proprietary interest in the Company; (ii) give incentives to such individuals in order to encourage and retain them for the continual operation and development of the Group; (iii) provide additional incentives for such individuals to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate them to maximise the value of the Company for the benefit of both the selected eligible participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected eligible participants directly with those of the Shareholders through ownership of shares.

Pursuant to the terms of the 2024 Share Option Scheme, eligible participants include the employee participants and related entity participants. The eligibility of each of the eligible participant shall be determined by the Board or a committee of the Board from time to time and on a case-by-case basis.

The offer of grant of the share options under the 2024 Share Option Scheme should be accepted within 28 days from the date of grant with no consideration. The options may be exercised in accordance with the terms of the 2024 Share Option Scheme and conditions under applicable award documents at any time during the exercise period as determined by the Board which shall in any event not be more than ten years from the date of grant. The vesting period for options shall not be less than 12 months. A shorter vesting period may be granted to the employee participants at the discretion of the Board or a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board in some specific circumstances.

The remaining life of the 2024 Share Option Scheme is approximately 9 years and 2 months as at the date of this annual report.

Where any grant of options to a participant would result in the shares issued and to be issued in respect of all options granted to such person (excluding any options lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares of the Company in issue (excluding treasury shares), such grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting.

Where any grant of options to an independent non-executive director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all options granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue (excluding treasury shares), such further grant of options must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).

Each option granted under the Share Option Schemes gives the holder the right to subscribe for one ordinary share of the Company. The exercise price determined by the Board is not less than the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the share of the Company on the date of grant.

DIRECTORS' REPORT

From 1 January 2018 to 31 December 2024, the Board approved to grant and the Company has granted options to Directors and other eligible participants. Details of the options granted are as follows:

(i) **Date of grant** : 9 January 2018
Vesting period : 12 months
Exercise period : 9 January 2019 to 8 January 2028
Exercise price (HK$) : 2.14
Closing price of the shares immediately before the date of granting the options (HK$) : 2.11

Name of grantee	Number of options as at 1 January 2024	Number of options exercised during the year	Weighted average closing price of the shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the term of the options or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2024	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Directors:							
Wang Lishan	2,300,000	–	–	–	–	2,300,000	0.11%
Cao Yunsheng (resigned on 24 June 2024)	8,000,000	–	–	–	–	8,000,000	0.38%
Liu Yunian (resigned on 12 January 2024)	1,500,000	–	–	–	–	1,500,000	0.07%
Tang Hui (appointed on 24 June 2024)	1,500,000	–	–	–	–	1,500,000	0.07%
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	1,500,000	–	–	–	–	1,500,000	0.07%
Other Employees	16,000,000	–	–	–	600,000	15,400,000	0.72%
Total	30,800,000	–	–	–	600,000	30,200,000	1.42%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2024.

(ii) **Date of grant** : 24 April 2020
Vesting period : Subject to certain performance targets determined by the Board
Exercise period : 1 April 2021 to 23 April 2026
Exercise price (HK$) : 0.48
Closing price of the shares immediately before the date of granting the options (HK$) : 0.465

Name of grantee	Number of options as at 1 January 2024	Number of options exercised during the year	Weighted average closing price of the shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the term of the options or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2024	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Directors:							
Cao Yunsheng (resigned on 24 June 2024)	146,000	–	–	–	–	146,000	0.007%
Liu Yunian (resigned on 12 January 2024)	365,000	–	–	–	–	365,000	0.017%
Tang Hui (appointed on 24 June 2024)	146,000	–	–	–	–	146,000	0.007%
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	156,000	–	–	–	–	156,000	0.007%
Other Employees	3,488,000	–	–	–	2,612,000	876,000	0.041%
Total	4,301,000	–	–	–	2,612,000	1,689,000	0.079%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2024.

DIRECTORS' REPORT

(iii)

Date of grant	:	10 June 2021
Vesting period	:	Nil
Exercise period	:	10 June 2021 to 9 June 2024
Exercise price (HK$)	:	1.50
Closing price of the Shares immediately before the date of granting the options (HK$)	:	1.48

Name of grantee	Number of options as at 1 January 2024	Number of options exercised during the year	Weighted average closing price of the shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the term of the options or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2024	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Directors:							
Tang Hui (appointed on 24 June 2024)	6,500,000	–	–	–	6,500,000	–	–
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	6,500,000	–	–	–	6,500,000	–	–
Employees	71,000,000	–	–	–	71,000,000	–	–
Total	84,000,000	–	–	–	84,000,000	–	–

(iv) **Date of grant** : 9 November 2023
Vesting period : 12 months
Exercise period : 9 November 2024 to 8 November 2028
Exercise price (HK$) : 0.52
Closing price of the shares immediately before the date of granting the options (HK$) : 0.54

Name of grantee	Number of options as at 1 January 2024	Number of options exercised during the year	Weighted average closing price of the shares immediately before the dates of exercise (HK$)	Number of options cancelled during the year	Number of options lapsed in accordance with the term of the options or the Share Option Scheme during the year	Number of options outstanding as at 31 December 2024	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Directors:							
Cao Yunsheng (resigned on 24 June 2024)	18,000,000	–	–	–	–	18,000,000	0.84%
Liu Yunian (resigned on 12 January 2024)	8,000,000	–	–	–	–	8,000,000	0.38%
Han Guimao (resigned on 12 January 2024)	1,800,000	–	–	–	–	1,800,000	0.08%
Tang Hui (appointed on 24 June 2024)	8,000,000	–	–	–	–	8,000,000	0.38%
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	8,000,000	–	–	–	–	8,000,000	0.38%
Choy Suk Yuk	1,800,000	–	–	–	–	1,800,000	0.08%
Cheung Ngar Tat Eddie	1,800,000	–	–	–	–	1,800,000	0.08%
Tam Kin Yip	1,800,000	–	–	–	–	1,800,000	0.08%
Other Employees	70,000,000	–	–	–	–	70,000,000	3.28%
Total	119,200,000	–	–	–	–	119,200,000	5.59%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2024.

DIRECTORS' REPORT

There is no performance target attached to the options granted.

The purpose of the Share Option Schemes is to reward the eligible participants who have contributed to the Group, and to motivate the eligible participants to optimize their performance and efficiency for the benefit of the Group, as well as, to attract and retain the eligible participants whose contributions are, will or are expected to be beneficial to the Group. The number of options to be granted is based on the work performance and potential contributions of the Grantees, and the value of the options depends on the business performance of the Group, to which the Grantee will directly contribute. In view of the above, the remuneration committee of the Company considered the grant of options, with performance target attached, is not necessary and aligned with the purpose of the Share Option Schemes.

The options are subject to vesting conditions and earlier termination as provided under the Share Option Schemes and respective applicable award documents, which provided for the circumstance which the options shall lapse and not be exercisable if the Grantees cease to be an employee of the Group. The remuneration committee and the board of the Company consider that it is not necessary to have additional clawback mechanism as the Share Option Scheme already provided the lapse and cancellation of options in different scenarios and provided enough protection to the Company's interests.

The number of options available for grant under the Share Option Schemes at the 1 January 2024 and 31 December 2024 are 48,930,638 and 213,159,838 respectively.

The number of shares that may be issued in respect of option granted under all schemes of the Company during the year 2024	The weighted average number of shares in issue of the Company for the year 2024	Percentage
151,089,000	2,047,506,859	7.38%

II. Share Award Plan

The Board has resolved to adopt the share award plan of the Company (the "Share Award Plan") on 18 March 2024 ("Adoption Date") and amended on 23 September 2024, which is a scheme funded solely by the existing shares and will not involve the issue of any new shares and shall be valid and effective for a term of 10 years. The purposes are to: (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; (iii) better align the interests of the officers and employees, and of the Shareholders; and (iv) effectively motivate the management team and key employees of the Group, and thereby promoting the long-term development of the Group and maximising the interests of the shareholders.

The Share Award Plan constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the adoption of the Share Award Plan will not be subject to shareholders' approval.

Pursuant to the plan rules, the eligible participants of the Share Award Plan include: (a) any director (other than independent non-executive directors) and employee of the Company or the Group; and (b) directors and employees of the Related Entity, and, for the purposes of this Plan, the Award may be made to any company wholly owned by one or more of the above participants or any trust which the settlor is the above participant.

The Share Award Plan is subject to the administration of the Board or the person(s) from time to time delegated by the Board with the power and authority to administer the Plan in accordance with the plan rules (the "Committee") in accordance with the plan rules and the trust deed, The Board or the Committee is entitled to impose any condition(s) and/or performance target(s) to be satisfied by the selected participant as it deems appropriate in its sole and absolute discretion with respect to the entitlement of the selected participant to the award, and the Board or the Committee will inform such selected participant by a notice in writing (the "Award Notice"). The Award Notice will set out, among other things, the number of the awarded shares, the terms, conditions (e.g. performance conditions) (if any), restrictions (if any) and vesting schedule of such award.

Upon receipt of the Award Notice, a selected participant is required to confirm his/her acceptance of the award by returning to the Company a notice of acceptance within twenty (20) Business Days after the date of grant, failing which the award will be deemed to be declined in its entirety.

The maximum number of awarded shares that may be awarded by the Board or the Committee under the Share Award Plan in aggregate shall be no more than 426,319,677 shares, which is 20% of the number of shares (2,131,598,389 shares) issued as at the Adoption Date and the date of this report.

The plan rules do not specify the maximum entitlement for an individual participant, and the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of award shares to connected persons of the Company. Since any grant of award shares to a Director will form part of the remuneration of the relevant Director under his/her service contract, such grant of award shares will be exempted from all the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.95 of the Listing Rules.

The remaining life of the Share Award Plan is approximately 8 years and 11 months as at the date of this annual report.

DIRECTORS' REPORT

As at 31 December 2024, details of the awards granted to Directors and other eligible participants are as follows:

(i) **Date of grant** : 21 May 2024
Purchase price : –
Closing price of the shares immediately before the date of granting the awards (HK$) : 0.73

Name of grantee	Number of awards granted on 21 May 2024	Number of awards vested during the year	Number of awards cancelled during the year	Vesting date	Weighted average closing price of the shares immediately before the dates on which the awards were vested (HK$)	Number of awards lapsed during the year	Number of unvested awards as at 31 December 2024	Shareholding percentage of the awards in the share capital of the Company *(Note)*
Directors:								
Wang Lishan	12,000,000	12,000,000	–	21 May 2024	0.73	–	–	0.56%
Cao Yunsheng (resigned on 24 June 2024)	12,000,000	12,000,000	–	21 May 2024	0.73	–	–	0.56%
Tang Hui (appointed on 24 June 2024)	2,000,000	2,000,000	–	21 May 2024	0.73	–	–	0.09%
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	6,000,000	6,000,000	–	21 May 2024	0.73	–	–	0.28%
The five highest paid individuals during the year in aggregate (excluding directors)	–	–	–	–	–	–	–	–
Other employees	34,000,000	34,000,000	–	21 May 2024	0.73	–	–	1.60%
Total	66,000,000	66,000,000	–	–	–	–	–	3.10%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2024.

(ii) **Date of grant** : 23 September 2024
Purchase price : –
Closing price of the shares immediately before the date of granting the awards (HK$) : 0.52

Name of grantee	Number of awards granted on 23 September 2024	Number of awards vested during the year	Number of awards cancelled during the year	Vesting date	Weighted average closing price of the shares immediately before the dates on which the awards were vested (HK$)	Number of awards lapsed during the year	Number of unvested awards as at 31 December 2024	Shareholding percentage of the awards in the share capital of the Company *(Note)*
Directors:								
Wang Lishan	20,000,000	20,000,000	–	23 September 2024	0.52	–	–	0.94%
Tang Hui (appointed on 24 June 2024)	7,000,000	7,000,000	–	23 September 2024	0.52	–	–	0.33%
Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	7,000,000	7,000,000	–	23 September 2024	0.52	–	–	0.33%
The five highest paid individuals during the year in aggregate (excluding directors)	28,000,000	28,000,000	–	23 September 2024	0.52	–	–	1.31%
Other employees	36,000,000	36,000,000	–	23 September 2024	0.52	–	–	1.69%
Total	98,000,000	98,000,000	–	–	–	–	–	4.60%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2024.

The fair value of the awarded shares is calculated based on the closing market price of the shares of HK$0.75 and HK$0.55 on the day of the grant, and amounted to HK$49,500,000 (equivalent to approximately RMB45,184,000) for the shares granted on 21 May 2024 and HK$53,900,000 (equivalent to approximately RMB49,200,000) for the shares granted on 23 September 2024, respectively.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

The Directors during the year and to the date of this report were as follows:

Executive Directors	Date of appointment	Date of resignation	Reason of resignation
Mr. Wang Lishan	24 November 2005	–	–
Mr. Cao Yunsheng	22 January 2021	24 June 2024	Other job assignment
Mr. Liu Yunian	8 June 2018	12 January 2024	To devote more effort into other personal affairs
Mr. Tang Hui	24 June 2024	–	–
Mr. Zhao Wuhui	12 January 2024	18 December 2024	To devote more effort into other business commitments

Non-executive Director	Date of appointment	Date of resignation	Reason of resignation
Mr. Han Guimao	1 April 2022	12 January 2024	To devote more effort into other personal affairs

Independent Non-executive Directors	Date of appointment	Date of resignation	Reason of resignation
Mr. Tam Kin Yip	18 August 2021	–	–
Ms. Choy So Yuk	3 June 2022	–	–
Mr. Cheung Ngar Tat Eddie	3 June 2022	–	–
Mr. Zhang Hua	12 January 2024	–	–

Pursuant to the articles of association of the Company, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue as a Director throughout the meeting at which he retires.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, unless terminated by not less than three months or any short-term notice agreed with the Board in writing served by either the Director or the Company. In other circumstances, each agreement can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the agreement or serious misconduct.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years. The Directors' fees are RMB30,000 per month for the non-executive Director and RMB20,000 per month for each independent non-executive Director.

Apart from the foregoing, none of the Directors of the Company has entered into any service agreements with any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

The Group's emolument policies are as follows:

(i) the amount of remuneration of directors and chief executive officer shall be recommended by the Remuneration Committee after taking into account the Company's operations, personal roles and comparable market statistics, and determined by the Board;

(ii) The remuneration package of employees is determined individually by the management according to the industry and market level, their personal relevant experience, responsibilities, workload and years of service in the Group; and

(iii) the Directors or the eligible participants under the share schemes of the Company may be granted, at the discretion of the Board or the committee duly authorized by the Board, the share options or share awards as part of their remuneration package.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANCE IN RELATION TO THE GROUP'S BUSINESS

Other than as disclosed in note 16 and note 49 to the consolidated financial statements, no transaction, arrangements and contract of significance in relation to the Group's business to which the Company, its subsidiaries were a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS INTERESTS IN COMPETING BUSINESSES

During the reporting year, none of the Directors had any interests in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

REMUNERATION OF THE FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of Directors' remuneration and those of the five highest paid individuals in the Group are set out in note 15 and note 16 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31 December 2024, the interests and short positions of each Directors and chief executive in the shares, underlying shares and debentures of the company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under 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" in the Listing Rules, were as follows:

Name of Directors	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding *(Note 3)*
Wang Lishan	Interest of a controlled corporation *(Note 2)*	396,911,278 (L)	18.62%
	Beneficial owner	49,628,000 (L)	2.33%
	Share options	2,300,000 (L)	0.11%
Tang Hui	Beneficial owner	9,000,000 (L)	0.42%
	Share options	9,646,000 (L)	0.45%
Choy So Yuk	Share options	1,800,000 (L)	0.08%
Cheung Ngar Tat Eddie	Share options	1,800,000 (L)	0.08%
Tam Kin Yip	Share options	1,800,000 (L)	0.08%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) These Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.

(3) The percentage is calculated based on the total number of shares issued as at 31 December 2024.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 31 December 2024, in addition to those of the Directors and chief executives already disclosed above, the register of substantial Shareholders maintained by the Company pursuant to section 336 of Part XV of the SFO shows that the Company had been notified of the following substantial Shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of Directors	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding *(Note 7)*
Sanju Environmental Protection (Hong Kong) Limited	Beneficial owner *(Note 2)*	641,566,556 (L)	30.10%
Beijing Haixin Energy Technology Co., Ltd. (北京海新能源科技股份有限公司)	Interest of a controlled corporation *(Note 2)*	641,566,556 (L)	30.10%
Cheung Hing Investments Limited	Beneficial owner *(Note 3)*	396,911,278 (L)	18.62%
Wang Lishan	Interest of a controlled corporation *(Note 3)* Beneficial owner Share options	396,911,278 (L) 49,628,000 (L) 2,300,000 (L)	18.62% 2.33% 0.11%
Capital Pilot Limited	Person having a security interest in shares *(Note 4)*	161,995,555 (L)	7.60%
Shiu Shu Ming	Interest of a controlled corporation *(Note 4)*	161,995,555 (L)	7.60%
Hong Man Chu	Interest of spouse *(Note 5)*	161,995,555 (L) 161,995,555 (S)	7.60% 7.60%
Lo Chun Yim	Interest of a controlled corporation *(Note 6)*	161,995,555 (L) 161,995,555 (S)	7.60% 7.60%
Golden Talent (HK) Technology Co., Limited	Beneficial owner *(Note 6)*	161,995,555 (L) 161,995,555 (S)	7.60% 7.60%

DIRECTORS' REPORT

Notes:

(1) *The letters "L" denotes a long position and the letters "S" denotes a short position in the Shares respectively.*

(2) *These Shares are held by Sanju Environmental Protection (Hong Kong) Limited, which is wholly-owned by Beijing Haixin Energy Technology Co., Ltd. (北京海新能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300072).*

(3) *These Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan.*

(4) *These Shares are held by Capital Pilot Limited, which is wholly-owned by Mr. Shiu Shu Ming.*

(5) *Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim.*

(6) *These Shares are held by Golden Talent (HK) Technology Co., Limited, which is beneficially and wholly-owned by Mr. Lo Chun Yim.*

(7) *These percentage is calculated based on the total number of shares issued as at 31 December 2024.*

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the reporting year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed elsewhere in this annual report, at no time during the year, the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 82.72% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 51.88% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 30.47% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately11.57% of the Group's total purchases.

None of the Directors, their associates or any Shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital (excluding treasury shares, if any), had any interest in any of the five largest customers or suppliers of the Group.

CONNECTED TRANSACTIONS

The Group's related parties or related party transactions for the year ended 31 December 2024 set out in note 49 to the consolidated financial statements constitute connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed elsewhere in this annual report, no contracts of significance have been entered into between the Company (or any of its subsidiaries) and the controlling shareholder (or any of its subsidiaries) during the reporting year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the year ended 31 December 2024. The Company has maintained liability insurance to provide appropriate cover for the Directors.

AUDITOR

Grant Thornton Hong Kong Limited was re-appointed as the auditor of the Company upon approval by the shareholders at the Company's last annual general meeting.

The auditor itself has confirmed and the audit committee has reviewed and monitored the auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

On behalf of the Board
WANG Lishan
Chairman

Hong Kong, 26 March 2025

CORPORATE GOVERNANCE REPORT

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") introduced in Appendix C1 of the Listing Rules to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Shareholders.

In the opinion of the Directors, the Company has complied with the Corporate Governance Codes of the Listing Rules for the year ended 31 December 2024, save for the deviations from the code provisions as follows:

Under code provision D.1.2, Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail.

The Company provides Mr. Cao Yunsheng, Mr. Tang Hui and Mr. Zhao Wuhui, with monthly internal financial statements during their tenure, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have access to the monthly internal financial statements as well. The reason for such deviation from the Corporate Governance Code as set out in Appendix 14 of the Listing Rules is to enhance the Company's efficiency. Directors also received reports from the management on the operation and financial status of the Company at relevant board meetings.

BOARD

The names of the Directors in office during 2024 and up to the date of this report are set out in the Directors' Report contained in this Annual Report. The brief biographies of the current Directors are set out in the Directors and Senior Management section of this Annual Report.

Board members have the appropriate experience and skills required for the Company's business, and their diverse knowledge and experience can bring a variety of perspectives to the company. The Board considers that the composition of executive directors and non-executive directors (including independent non-executive directors) has achieved balance and can effectively make independent judgments.

In year 2024, Mr. Wang Lishan was the chairman, Mr. Cao Yunsheng was the CEO and president of the Company (resigned on 24 June 2024) and Mr. Tang Hui was appointed as the president of the Company on 24 June 2024. The roles of chairman and the chief executive officer and president are segregated and not exercised by the same individual.

To the best knowledge of the Company, among the members of the Board, none of them has any financial, business and relative or other material/relevant relationship with the other members in the Board, including the chairman, the CEO and the president. All of them are free to make independent judgments.

By the terms of the service contracts, for the executive Directors, and the appointment letters, for the non-executive Director and the independent non-executive Directors, the term for each Director is three years which is renewable subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

The responsibility of the Board is to lead and supervise the development direction and operation strategy, business practices and corporate culture of the Group, to establish the company's vision and strategic objectives to establish a common culture and values, achieve long-term business objectives and promote good corporate governance. The Group adheres to the enterprise spirit of people-oriented, unity and cooperation, forge ahead, pursuit of excellence, integrity and gratitude, and ensures that the corporate culture and due behavior are clearly conveyed to everyone in the Group through the construction of corporate culture, so that the Group can be in a situation of harmony, development, innovation and prosperity for a long time, improve corporate cohesion, and promote the coordinated development of business to achieve long-term strategic goals.

The Board decides on material affairs of the Company such as the resolution of budget, resolution of profits allocation, significant investments and acquisitions, issue of new shares, amendments to the articles of association and appointments to senior management of the Company. While the management of the Company was given sufficiently autonomy by the Board to handle the daily ordinary course of administration and management, when the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

In respect of the corporate governance functions, the Board's corporate governance duties mainly including:

- Review the Company's policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of directors and senior management;
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- Review and monitor the code of conduct applicable to directors and employees; and
- Review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance report.

CORPORATE GOVERNANCE REPORT

THE DIRECTORS' ATTENDANCE AT THE MEETING

During the year 2024, the Board held 23 board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2024 is set out in the table below:

	Attendance/Number of meetings				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Wang Lishan	22/23	–	–	2/2	1/1
Mr. Cao Yunsheng (resigned on 24 June 2024)	14/14	–	3/3	–	1/1
Mr. Liu Yunian (resigned on 12 January 2024)	1/1	–	–	–	–
Mr. Tang Hui (appointed on 24 June 2024)	9/9	–	–	–	–
Mr. Zhao Wuhui (appointed on 12 January 2024 and resigned on 18 December 2024)	22/22	–	1/1	–	1/1
Mr. Han Guimao (resigned on 12 January 2024)	1/1	–	–	–	–
Mr. Tam Kin Yip	23/23	3/3	4/4	1/1	1/1
Ms. Choy So Yuk	23/23	3/3	4/4	1/1	1/1
Mr. Cheung Ngar Tat Eddie	23/23	3/3	4/4	1/1	1/1
Mr. Zhang Hua (appointed on 12 January 2024)	22/22	3/3	–	–	1/1

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Directors participated in continuous professional development to develop and refresh their knowledge to ensure their contribution to the Board remains informed and relevant. In the year, Directors participated in reading and learning the materials related to professional knowledge, law and regulations, and corporate management, etc. respectively.

COMPANY SECRETARY

Ms. Leung Fung Yee Alice was appointed as the Company Secretary in 2014. Her biographical details are set out in the section headed "Directors and Senior Management". Ms. Leung is not an employee of the Company. For the financial year ended 31 December 2024, Ms. Leung attended relevant professional training for not less than 15 hours pursuant to Rule 3.29 of the Listing Rules.

Mr. Tang Hui, the executive director and president of the Company, is the primary corporate contact person at the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix C3 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code regarding Directors' securities transactions during the reporting year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and is also in charge of reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has in place a relatively comprehensive internal control system and clearly defines the responsibility and authority of each business unit, department and management member. It implements the reporting and approval procedures and accountability system of each business segment to realise compliance operation and monitor and control each segment effectively. Each business unit shall identify risks that may hinder the realisation of business objectives and coordinate with the management members to analyse and evaluate the importance of such risks. The finance department is responsible for monitoring and controlling financial risks and making recommendation on potential risks identified during the approval procedures. Other management departments have to identify and make judgement on various circumstances as well as monitoring and assessing potential risk factors within the scope of their responsibility and authority. If necessary, they can consult professionals at any time and report according to the management procedures.

The relevant departments of the Group have certain functions for the Group's internal audit, internal control and risk management. They are mainly responsible for auditing and reviewing the financial management condition, production and services procedures, documents management system, etc., of the Group on a regular basis. The responsible executive directors and senior management of the Group receive financial reports and management reports on a monthly basis to monitor the operational progress of each business unit and make reasonable planning. Before making any material decisions, they have to make proper assessment on the possible risks involved and the level of risks. The Board and its audit committee obtain comments from the management with regard to risk management and internal control on a yearly basis; they also work together to review the effectiveness of the relevant systems and identify monitoring and control errors and material procedural defects. If any material defects in internal control are found, the management and the Board have to make active response and resolve the existing problems in the most appropriate way and, at the same time, review the prevailing systems and procedures to seek improvement and take remedial measures.

The Company understands its responsibilities under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. It shall make public disclosure on inside information as far as reasonably practicable and strictly comply with the Guidelines on Disclosure of inside information when handling matters involving inside information.

The Directors of the Company shall understand and continue to pay attention to the production and operation conditions and financial position of the Group as well as existing and potential material issues and their impacts; they shall also actively investigate and obtain information required for decision making. After finding out and learning about matters required to be disclosed, the relevant personnel shall make timely report to the management and the responsible Directors, judge and verify the relevant information and matters, make internal assessment on the matters involved and preliminary remedial measures and seek professional advises if necessary. After carrying out the relevant internal procedures of the Company, the Directors shall confirm the information disclosure arrangement and ensure the truthfulness, accuracy, completeness, timeliness and fairness of the disclosed information and ensure that such information is free of false records, material misstatement or omission.

The Board has conducted annual review of the Group's risk management and internal control systems and reviewed their effectiveness. The Board urges management to continue to pay attention to system construction, further enhance risk identification and forecasting, enhance measures to strengthen internal control and management, report major events in a timely manner, and seek professional advice when necessary. After reviewing, the Board considers the current systems are in general effective and adequate.

The Board has also considered the resources and manpower, in terms of qualification and experience, for handling the account, internal audit, financial reporting functions and the environment, social and governance of the Group. Upon review, the Board considered that, in general the staff concerned had received appropriate training and had received adequate budgets.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The statement of the external auditor of the Company on their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on page 46.

Grant Thornton Hong Kong Limited has been appointed as the Company's external auditor at the annual general meeting of 2024 until the conclusion of the next annual general meeting. Their remuneration for providing auditing services and other services for the Group during the year ended 31 December 2024 are as below:

	Fee paid/payable HK$
Audit services	1,650,000
Non-audit services (agreed upon procedures on interim financial information)	250,000

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference which deal clearly with its duties. In the reporting year, the audit committee of the Company includes four independent non-executive Directors, which are Mr. Cheung Ngar Tat Eddie, Ms. Choy So Yuk, Mr. Tam Kin Yip and Mr. Zhang Hua. Mr. Cheung Ngar Tat Eddie is the chairman of the audit committee. The primary duties of the audit committee (inter alia) are to review the Group's financial information, oversee the Group's reporting system, risk management and internal control systems, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and related remuneration and appointment terms.

During the year, three audit committee meetings were held to review and discuss the Company's financial information, including the final results and the interim results, discussed the risk management and internal control systems with the management of the Company and review the effectiveness of these systems etc. The audit committee had meetings with the external auditor, learned about their report on the audit or review work, and adopted the auditor's suggestion and comments for improvement and so as to urge the management to implement it.

The audit committee oversees the financial reporting process. In this process, the management of the Company is responsible for the preparation of Group's consolidated financial statements including the selection of suitable accounting policies. Independent external auditors are responsible for auditing the Group's consolidated financial statements. The audit committee oversees the respective works of the management and the external auditors to monitor the processes and safeguards employed by them. The audit committee reports to the Board on its findings after each of its meeting.

The audit committee reviewed and discussed with management and external independent auditors on the Company's consolidated financial statements for the year ended 31 December 2024. The audit committee also received reports and discuss their audit work with the independent auditors.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference which deal clearly with its duties. The remuneration committee comprises of Mr. Cao Yunsheng (resigned on 24 June 2024), Mr. Zhao Wuhui (appointed on 24 June 2024 and resigned on 18 December 2024) and Mr. Tang Hui (appointed on 18 December 2024) the executive directors, and three independent non-executive Directors, which are Ms. Choy So Yuk, Mr. Cheung Nga Tat Eddie and Mr. Tam Kin Yip in year 2024. Ms. Choy So Yuk is the chairman of the remuneration committee. The primary duties of the remuneration committee (inter alia) are to review and make recommendations to the Board on the Company's policy and structure for directors' and senior management remuneration and their individual remuneration package.

During the reporting year, the Remuneration Committee held four meetings to discuss and make recommendations on matters such as the remuneration policy, the annual review of remuneration of Directors and senior management, and the grant of share awards:

The remuneration of directors of the Company is considered and determined with reference to the market level of comparable companies, their responsibilities and the time devoted. No director or any of his associates shall be involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Company has established a nomination committee with specific written terms of reference which deal clearly with its duties. The nomination committee comprises of Mr. Wang Lishan, the executive Director and chairman of the Company and three independent non-executive Directors, namely, Ms. Choy So Yuk, Mr. Cheung Nga Tat Eddie and Mr. Tam Kin Yip. Mr. Wang Lishan is the chairman of the nomination committee. The nomination committee is responsible to make proposals to the Board in respect of the appointment of Directors and the renewal plans of Directors. In considering the candidates, the nomination committee will take into account his past performance and experience, academic and working qualifications, general market conditions, and the requirements set out in the Listing Rules and the articles of association of the Company so as to make the composition of the board of directors filled with a variety and a balance of skills and experience.

During the year, three nomination committee meetings were held in the year to review the structure and composition of the Board and the roles of Directors regularly by considering the issues of conflict of interest, their performance and conduct and make recommendations to the Board on the appointment or re-appointment of directors at the annual general meeting.

DIVERSITY

With a view to achieving a sustainable and balanced development, the Board approved to adopt the board diversity policy in August 2013. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to select the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, to ensure the effectiveness of the policy.

The nomination committee has reviewed the board diversity policy and considered that in order to achieve the objectives of the board diversity policy, the professional experience and technical knowledge of the Directors as well as their contribution which could be brought to the Company and the Board should be focused in their process of recommendation and appointment. The composition of the Board includes female director and the Board's gender diversity target has been met.

CORPORATE GOVERNANCE REPORT

As at 31 December 2024, the gender ratio of all employees of the Group (including senior management) is shown in the table below:

	Male	Ratio (%)	Female	Ratio (%)	Total
All employees	1,842	84.46%	339	15.54%	2,181
Include: senior management	2	100%	0	0%	2

Due to the characteristics of the Group's business, almost all the skilled workers are male, and female employees are mainly engaged in management and technical positions.

SHAREHOLDERS' RIGHTS

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board.

According to Article No. 58 of the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and the foregoing members shall be able to add resolutions to the meeting agenda; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

An annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' notice. All other extraordinary general meetings may be called by not less than fourteen (14) clear days' notice.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. For all general meetings held during the year ended 31 December, the chairman of meeting had provided an explanation of the detailed procedures for conducting a poll and answer any questions from Shareholders on voting by poll.

Shareholders and investors are welcome to visit the Company's website and raise enquiries to our Board through our Investor Relations Department whose contact details are available on the website and in the "Corporate Information" of this annual report.

INVESTOR RELATIONS

There is no significant change to the Memorandum and Articles of Association of the Company ("Memorandum and Articles of Association") in year 2024. The latest version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

The Company has made the shareholders' communication policy, ensure effective and timely dissemination of information to Shareholders and the investment community through various channels, so that Shareholders can be provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports) and other regulatory disclosures, general meeting(s), as well as through the Company's website (www.jutal.com). Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

Corporate communication (as defined in the Listing Rules), will be provided to Shareholders in plain language and in either English or Chinese versions at the option of the Shareholders. Shareholders have the right to choose means of receipt of the corporate communications (in hard copy or through electronic means).

A dedicated Investor Relations section is available on the Company's website (www.jutal.com). Information on the Company's website is updated from time to time. All the Company's news regarding the major events and activities of the Group will be made available on the Company's website.

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, including the chairman and the chairmen of Board committees, and the external auditor will attend annual general meetings to answer Shareholders' questions.

Investor/analysts briefings and one-on-one meetings, media interviews and marketing activities for investors etc. will be available where necessary in order to facilitate communication between the Company, Shareholders and the investment community.

The Company's directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the relevant disclosure obligations and requirements under the Listing Rules and relative policies of the Company.

During the year, the Company released information to Shareholders in a timely and comprehensive manner through corporate communications, and updated company news, major events and activities on the company website in a timely manner. It also actively communicated with investors through briefing sessions organized by other organizations and individual meetings. After review, the Company believes that the shareholder communication policy has been well implemented and achieved results during the year.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the shareholders of Jutal Offshore Oil Services Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 139, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Goodwill impairment assessment

2. Recognition of revenue from construction contracts

3. Expected loss allowance on trade and bills receivables

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment The Group's accounting policy on goodwill and the critical accounting estimates and judgements on goodwill impairment are described in notes 4.2 and 5 respectively to the consolidated financial statements. Refer to note 22 to the consolidated financial statements, a significant amount of the Group's goodwill of RMB52,444,000 has been allocated to the Group's offshore oil and natural gas exploration facilities fabrication business. Management has determined that there is no impairment in respect of this goodwill. This determination was based on a value in use model that required significant management judgements and estimates which were subjective with respect to the discount rate and the assumptions underlying the forecast cash flows. The inherent risk in relation to the goodwill impairment is considered significant. Therefore, we identified the goodwill impairment assessment as a key audit matter.	Our procedures in relation to management's impairment assessment of goodwill that has been allocated to the Group's offshore oil and natural gas exploration facilities fabrication business included: – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; – Understanding and evaluating key internal controls over the Group's goodwill impairment assessment; – Evaluating of independent external valuers' competence, capabilities and objectivity; – Challenging the reasonableness of key assumptions used in the cash flow projections based on our knowledge of the business and industry; and – Performing retrospective review of the figures included in prior year forecast with current year actual results to evaluate the effectiveness of management's estimation process.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts Refer to the key sources of estimation uncertainly in note 5 to the consolidated financial statements and the accounting policies set out in note 4.11 and 4.22 to the consolidated financial statements. The Group's business involves entering into contractual relationships with customers to provide fabrication services. Revenue from construction contracts recognised over time amounted to approximately RMB1,851,338,000 and represents approximately 89% of the Group's turnover for the year ended 31 December 2024. For the revenue from construction contracts recognised over time, the Group recognises revenue of these contracts by using the percentage of completion method, depend on the nature of the contract works, measured by reference to the proportion of the actual costs incurred relative to the estimated total costs or to the percentage of certified work performed to date to the estimated total contract sum. The inherent risk in relation to recognition of revenue from construction contracts is considered significant as significant management estimates and assumptions which were subjective are required in relation to recognition of revenue from construction contracts including the determination of costs to complete and estimated total contract costs and the percentage of completion. Therefore, we identified recognition of revenue from construction contracts as a key audit matter.	Our procedures in relation to the significant estimates made by management regarding recognition of revenue from construction contracts included: – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; – Understanding and evaluating the effectiveness of internal controls over the calculation of contract revenues including those relating to (i) estimates of costs to complete and the total contract costs; (ii) the determination of the percentage of completion; and – Performing substantive procedures on a sample basis including: (a) Examining signed contracts, statements of work, variation orders and certifications of work; (b) Assessing the reasonableness of management estimates of forecast costs to complete and total contract costs; and (c) Recalculating the percentage of completion for major contracts by reference to the proportion contract costs for work performed to date bear to the total estimated contract costs.

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Expected loss allowance on trade and bills receivables Refer to note 26 to the consolidated financial statements and the accounting policies on note 4.30 and note 5 to the consolidated financial statements. As at 31 December 2024, the Group recorded gross trade and bill receivables of RMB366,771,000 and loss allowance of RMB78,701,000, which were significant to the financial statements of the Group. The Group measures loss allowance on trade and bills receivables at amounts equal to lifetime expected credit losses. Expected credit losses ("ECL") on these financial assets are estimated using a provision matrix and specific assessment which involves significant management judgement in estimating the expected loss rate based on historical credit loss experience, adjusting factors that are specific to the debtors and assessment of both current and forecast general economic conditions. We identified the estimation of expected loss allowance of trade and bills receivables as a key audit matter because of the significance of the Group's trade and bills receivables balance to the consolidated financial statements, together with the significant inherent risk due to significant degree of estimations made by the management which were subjective in estimating ECL of trade and bills receivables which may affect their carrying values at the end of the reporting period.	Our procedures in relation to management's estimation of expected loss allowance of trade and bills receivables: – Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including subjectivity; – Understanding and evaluating key internal controls over the Group's assessment of the expected loss allowance on trade and bills receivables; – Evaluating the outcome of prior period assessment of the expected loss allowance on trade and bills receivables to assess the effectiveness of management's estimation process; – Obtained an understanding of how the management assesses the ECL of trade and bills receivables; – Tested the mathematical accuracy of the ECL model on trade and bills receivables prepared by the management; – Tested whether items in the ageing report were categorised appropriately on a sample basis; and – Assessed the reasonableness of the ECL by testing the accuracy of the historical default rate and examining the reasonableness of the forward looking information used by the management.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2024 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis of forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

26 March 2025

Lam Kam Fung
Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	8	**2,079,022**	2,591,773
Cost of sales and services		**(1,511,864)**	(1,936,383)
Gross profit		**567,158**	655,390
Other income	9	**26,876**	30,374
Reversals of impairment losses/(Impairment losses) on trade and bills receivables		**22,372**	(6,122)
Reversal of impairment losses on other receivables		**–**	9
Impairment losses on contract assets		**(20,425)**	(2,935)
Administrative expenses		**(313,232)**	(197,932)
Other operating expenses	11	**(51,671)**	(72,812)
Profit from operations		**231,078**	405,972
Finance costs	12	**(10,986)**	(20,396)
Share of loss of a joint venture		**(40)**	–
Profit before tax		**220,052**	385,576
Income tax expense	13	**(34,986)**	(130,587)
Profit for the year	14	**185,066**	254,989
Attributable to:			
Owners of the Company		**185,066**	254,989
		RMB	RMB
Earnings per share	18		
Basic		**9.04 cents**	12.87 cents
Diluted		**8.96 cents**	12.87 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	**185,066**	254,989
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**5,527**	5,997
Share of other comprehensive income of a joint venture, net of related income tax	**1**	–
Other comprehensive income for the year, net of tax	**5,528**	5,997
Total comprehensive income for the year	**190,594**	260,986
Attributable to:		
Owners of the Company	**190,594**	260,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	*19*	**932,127**	917,719
Right-of-use assets	*20*	**364,279**	378,631
Interest in a joint venture	*21*	**62**	–
Goodwill	*22*	**52,444**	52,444
Intangible assets	*23*	**4,176**	5,487
Trade receivables, non-current	*26*	**3,417**	3,846
Deferred tax assets	*40*	**8,394**	5,228
		1,364,899	1,363,355
Current assets			
Inventories	*25*	**93,228**	110,569
Trade and bills receivables	*26*	**284,653**	1,119,485
Contract cost assets	*27*	**1,271**	1,298
Contract assets	*28*	**476,685**	504,704
Prepayments, deposits and other receivables	*29*	**54,810**	122,816
Derivative financial instruments	*30*	**–**	703
Current tax assets		**1,791**	–
Financial assets at fair value through profit or loss	*31*	**–**	58,283
Pledged bank deposits	*32*	**64,618**	51,069
Bank and cash balances	*32*	**785,161**	752,717
		1,762,217	2,721,644
Current liabilities			
Trade and bills payables	*33*	**417,607**	699,455
Contract liabilities	*28*	**60,957**	648,903
Accruals and other payables	*34*	**109,317**	113,742
Derivative financial instruments	*30*	**1,532**	7,886
Provisions	*36*	**202,713**	168,348
Bank borrowings	*37*	**55,000**	81,800
Other borrowings		**958**	–
Deferred income	*39*	**2,751**	4,100
Lease liabilities	*35*	**7,959**	7,312
Current tax liabilities		**–**	49,693
		858,794	1,781,239
Net current assets		**903,423**	940,405
Total assets less current liabilities		**2,268,322**	2,303,760

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Deferred income	*39*	**15,724**	11,987
Lease liabilities	*35*	**12,527**	16,513
Bank borrowings	*37*	**30,500**	227,500
Deferred tax liabilities	*40*	**34,170**	36,021
		92,921	292,021
Net assets		**2,175,401**	2,011,739
Capital and reserves			
Share capital	*41*	**19,145**	17,783
Reserves	*44(a)*	**2,156,256**	1,993,956
Total equity		**2,175,401**	2,011,739

Approved by the Board of Directors on 26 March 2025 and are signed on its behalf by:

Wang Lishan
Chairman

Tang Hui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital	Share premium account	Share held under share award scheme	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Statutory reserves	Retained profits	Total equity
	(Note 41)	*(Note 44(c)(i))*	*(Note 44(c)(vii))*	*(Note 44(c)(iii))*	*(Note 44(c)(vi))*	*(Note 44(c)(v))*	*(Note 44(c)(ii))*	*(Note 44(c)(iv))*		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	17,783	1,379,936	–	(52,040)	2,951	(58,320)	69,291	40,275	347,371	1,747,247
Profit for the year	–	–	–	–	–	–	–	–	254,989	254,989
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	–	–	–	–	–	5,997	–	–	–	5,997
Total comprehensive income for the year	–	–	–	–	–	5,997	–	–	254,989	260,986
Share-based payments	–	–	–	–	–	–	3,506	–	–	3,506
Share options forfeited	–	–	–	–	–	–	(9,621)	–	9,621	–
Changes in equity for the year	–	–	–	–	–	5,997	(6,115)	–	264,610	264,492
At 31 December 2023	17,783	1,379,936	–	(52,040)	2,951	(52,323)	63,176	40,275	611,981	2,011,739
At 1 January 2024	17,783	1,379,936	-	(52,040)	2,951	(52,323)	63,176	40,275	611,981	2,011,739
Profit for the year	-	-	-	-	-	-	-	-	185,066	185,066
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	-	-	-	-	-	5,527	-	-	-	5,527
Share of other comprehensive income of a joint venture, net of related income tax	-	-	-	-	-	1	-	-	-	1
Total comprehensive income for the year	-	-	-	-	-	5,528	-	-	185,066	190,594
Issue of shares under placing	1,362	54,996	-	-	-	-	-	-	-	56,358
Shares repurchased *(Note 42(b))*	-	-	(144,734)	-	-	-	-	-	-	(144,734)
2024 interim dividend approved and paid *(Note 17)*	-	(54,882)	-	-	-	-	-	-	-	(54,882)
Share-based payments *(Notes 42(a) and (b))*	-	-	-	-	-	-	116,326	-	-	116,326
Share vested under the share award scheme	-	(4,162)	98,651	-	-	-	(94,489)	-	-	-
Share options forfeited	-	-	-	-	-	-	(36,065)	-	36,065	-
Changes in equity for the year	1,362	(4,048)	(46,083)	-	-	5,528	(14,228)	-	221,131	163,662
At 31 December 2024	19,145	1,375,888	(46,083)	(52,040)	2,951	(46,795)	48,948	40,275	833,112	2,175,401

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit before tax		220,052	385,576
Adjustments for:			
Finance costs		10,986	20,396
Equity settled share-based payments		21,837	3,506
Interest income		(14,673)	(13,409)
Depreciation of property, plant and equipment		95,775	115,417
Depreciation of right-of-use assets		18,787	20,150
Amortisation of intangible assets		1,311	1,716
Net losses on disposals of property, plant and equipment		705	269
Share of loss of a joint venture		40	–
Gain on early termination of lease contracts		(10)	(25)
Allowances for inventories		5,258	26,488
(Reversal of impairment losses)/Impairment losses on trade and bills receivables, net		(22,372)	6,122
Reversal of impairment losses on other receivables		–	(9)
Impairment losses on contract assets		20,425	2,935
Impairment losses on property, plant and equipment		30,510	5,365
Impairment losses on intangible assets		–	1,915
Provisions of warranty, net		34,365	108,663
Reversal of provisions of onerous contracts		–	(72,232)
Written off of trade receivables		4,963	–
Fair value changes on derivative financial instruments		5,732	27,112
Fair value changes on financial assets at fair value through profit or loss		(61)	–
Government grants income		(7,300)	(9,385)
Exchange difference		(2,342)	(1,424)
Operating profit before working capital changes		423,988	629,146
Decrease/(Increase) in inventories		12,083	(14,905)
Decrease/(Increase) in trade and bills receivables		852,670	(862,149)
Decrease in contract cost assets		27	8,793
Decrease/(Increase) in contract assets		7,594	(142,031)
Decrease/(Increase) in prepayments, deposits and other receivables		68,006	(39,294)
(Decrease)/Increase in trade and bills payables		(281,848)	204,172
(Decrease)/Increase in contract liabilities		(587,946)	520,683
(Decrease)/Increase in accruals and other payables		(9,224)	32,915
Cash generated from operations		485,350	337,330
Income taxes refund/(paid)		3,002	(29,795)
Interest paid		(7,592)	(18,601)
Interest on lease liabilities	45(b)	(1,074)	(1,364)
Other finance costs		(2,320)	(431)
Net cash generated from operating activities		477,366	287,139

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from investing activities			
Interest received		14,673	13,409
Investment in a joint venture		(102)	–
Proceeds from disposal of financial assets at fair value through profit or loss		58,344	–
Purchases of property, plant and equipment		(139,169)	(25,571)
Proceeds from disposals of property, plant and equipment		2,575	3,157
(Increase)/Decrease in pledged bank deposits		(13,637)	46,818
Government grants received		9,688	4,184
Net proceed from settlement of derivative financial instruments		(11,383)	(29,715)
Net cash (used in)/generated from investing activities		(79,011)	12,282
Cash flows from financing activities			
Bank borrowings raised	*45(b)*	–	30,500
Repayment of bank borrowings	*45(b)*	(223,800)	(186,000)
Other borrowings raised	*45(b)*	958	–
Proceeds from placement of shares		56,358	–
Purchase of shares for share award scheme		(144,734)	–
Dividend paid		(54,882)	–
Principal elements of lease payment	*45(b)/(c)*	(7,767)	(8,173)
Net cash used in financing activities		(373,867)	(163,673)
Net increase in cash and cash equivalents		24,488	135,748
Effect of foreign exchange rate changes		7,868	6,580
Cash and cash equivalents at 1 January		752,805	610,477
Cash and cash equivalents at 31 December		785,161	752,805
Analysis of cash and cash equivalents			
Bank and cash balances		785,161	752,717
Pledged bank deposits		–	88
		785,161	752,805

Pledged bank deposits can be reconciled to the consolidated statement of financial position as follows:

	2024 RMB'000	2023 RMB'000
Pledged bank deposits (mature in three months or less)	–	88
Pledged bank deposits (mature after three months)	64,618	50,981
	64,618	51,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Jutal Offshore Oil Services Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 10th Floor, Chiwan Petroleum Building, Shekou, Nanshan District, Shenzhen, the People's Republic of China (the "PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2024

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. ADOPTION OF NEW AND REVISED HKFRSs (CONT'D)

3.2 New and amendments to HKFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

	Effective for accounting periods beginning on or after
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Amendments to HKAS 21 – Lack of exchangeability	1 January 2025
Amendments to HKFRS Accounting Standards – Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
Amendments to Hong Kong Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONT'D)

3.2 New and amendments to HKFRSs issued but not yet effective (Cont'd)

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures".

HKFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;
- Disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.

Besides, narrow-scope amendments have been made to HKAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

HKFRS 18, and the amendments to the other HKFRSs, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are still in the process of assessing the impact of HKFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

4.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (Cont'd)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4.2 Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.3 Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the joint venture for the year, including any impairment loss on the investment in joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Where unrealised losses on assets sales between the Group and its joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the joint venture's accounting policies to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows arising from the operations of the joint venture and the proceeds on ultimate disposal of the investment.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.3 Joint venture (Cont'd)

The Group discontinues the use of equity method from the date when it ceases to have joint control over a joint venture. If the retained interest in that former joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would have been required if the joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

4.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("HK$").

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.4 Foreign currency translation (Cont'd)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4.5 Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings, pier and other infrastructure	8–44 years
Plant and machinery	5–15 years
Furniture, fixtures and equipment	5–12 years
Motor vehicles	5–8 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.6 Intangible assets

Patents and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2 to 16 years.

4.7 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.7 Leases (Cont'd)

The Group as lessee (Cont'd)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

4.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value for inventories of raw materials held for trading is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Net realisable value for inventories of raw materials and consumables held to be used in construction contracts is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.9 Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory or property, plant and equipment are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

4.10 Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4.30 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.11 Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to fabrication of facilities for oil and gas industries and for new energy and refining and chemical industries.

Revenue from construction contracts is recognised when customer obtains control of the promised goods or services in the contract and it is probable that the Group will collect the consideration to which it will be entitled in exchanging for transferring goods or services to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the promised goods or services may regard as being transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For construction contracts of which the control of the promised goods or services to the customer regards as being transferred over time and when the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the percentage of completion method, depends on the nature of the contract works, measured by reference to the proportion of the actual costs incurred relative to the estimated total costs or to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts.

For other construction contracts, revenue is recognised at a point in time when the customers obtain control of the assets.

Generally, the Group becomes entitled to invoice customers for fabrication of facilities based on achieving a series of performance related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the percentage of completion method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contract with customers as the period between the recognition of revenue and the milestone payment is always less than one year.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.12 Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

4.13 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.13 Financial assets (Cont'd)

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4.14 Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for ECL.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.16 Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.18 Financial guarantee contract liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under HKFRS 9 and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4.19 Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4.20 Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.21 Derivate financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

4.22 Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from trading of products is recognised when control of the products has transferred, being when the products are delivered to the customer. Following delivery, the customer has full discretion to use the products, and has the primary responsibility when to sell the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from technical consultancy services; repair and maintenance and installation services is recognised based on the stage of completion of the contract. Payment for these services is not due from the customer until the related services are complete and therefore a contract asset is recognised over the period in which these services are performed representing the entity's right to consideration for the services performed to date.

Revenue from construction contracts is recognised in accordance with the policy set out on note 4.11 above.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.23 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4.24 Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

For the share award scheme, the Group purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as "Share held under share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Share held under share award scheme", and the related fair value of the awarded shares are debited to share award reserve with the difference charged/credited to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.26 Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the periods to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

4.27 Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.27 Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

4.28 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.29 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating units to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating units.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating units. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGUs whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating units. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4.30 Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.30 Impairment of financial assets and contract assets (Cont'd)

Significant increase in credit risk (Cont'd)

In particular, the following information where appropriate is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.30 Impairment of financial assets and contract assets (Cont'd)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.30 Impairment of financial assets and contract assets (Cont'd)

Measurement and recognition of ECL (Cont'd)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

4.32 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.33 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4.34 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting polices

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Legal titles of certain land and building

As stated in notes 19 and 20 to the consolidated financial statements, a subsidiary of the Group, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") is still in the process of obtaining the land use right certificates of certain leasehold lands located in the PRC with carrying amount of approximately RMB7,575,000 (2023: RMB7,782,000) and obtaining the ownership certificates of certain building structures erected on these leasehold lands that were not yet obtain the land use right certificates with the carrying amount of approximately RMB32,506,000 (2023: RMB35,299,000).

In addition, Penglai Jutal is in the process of obtaining the ownership certificates of other building structures with carrying amounts of RMB7,130,000 (2023: RMB17,817,000). These building structures were erected on certain leasehold lands which Penglai Jutal has obtained the land use right certificates.

Despite the fact that Penglai Jutal has not obtained the relevant legal titles, the directors determined to recognise those building structures and leasehold lands as property, plant and equipment and right-of-use assets respectively on the grounds that they expect the transfer of legal titles of the above building structures and leasehold lands in future should have no major difficulties and Penglai Jutal is in substance controlling and obtaining the economic benefits from those building structures and lands.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Critical judgements in applying accounting polices (Cont'd)

Significant increase in credit risk

As explained in note 4.30, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Other contract costs

Other contract costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expense as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If there are other standards preclude capitalisation of a particular cost, then an asset is not recognised under HKFRS 15.

If other standards are not applicable to other contract costs, the Group applies the criteria specified in HKFRS 15, if met, result in capitalisation. The assessment of the criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be satisfy future performance obligations and whether costs are expected to be recoverable.

Joint control over Thoresen Jutal Offshore Engineering Heavy Industries (Thailand) Limited ("Thoresen Jutal")

The Group holds 49% and another investor holds 51% of the ordinary shares and voting rights in Thoresen Jutal. According to the contractual agreements, the board of Thoresen Jutal consists of three directors from each party and unanimous consent of the directors is required for any resolution to be passed.

Thoresen Jutal is a limited company which provides the Group and the other party with rights to the net assets of Thoresen Jutal. Therefore, Thoresen Jutal is classified as a joint venture, details of which are set out in note 21.

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For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2024 was approximately RMB932,127,000 (2023: RMB917,719,000).

Recognition of revenue from construction contracts

As explained in policy notes 4.11 and 4.22, the Group recognises revenue of construction contracts by using the percentage of completion method measured by reference to the proportion of the actual costs incurred relative to the estimated total costs or to the percentage of certified work performed. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligations. As part of this process, the estimated total costs of each contract will be reviewed periodically. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. During the year, approximately RMB267,489,000 (2023: RMB621,597,000) of revenue from these contracts (contracts which the percentage of completion is measured by reference to the actual costs incurred relative to the estimate total cost) was recognised.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty (Cont'd)

Income taxes

As detailed in note 13, the Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2024, approximately RMB34,986,000 (2023: RMB130,587,000) of income tax was charged to profit or loss.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

Deferred tax liabilities relating to income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends are recognised.

As at 31 December 2024, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB8,394,000 (2023: RMB5,228,000) and RMB34,170,000 (2023: RMB36,021,000) respectively.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2024 were RMB932,127,000 (2023: RMB917,719,000) and RMB364,279,000 (2023: RMB378,631,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty (Cont'd)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately RMB52,444,000 (2023: RMB52,444,000).

Impairment of trade and bills receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables and contract assets based on the credit risk of trade and bills receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2024, the carrying amount of trade and bills receivables and contract assets is RMB764,755,000 (net of allowance for doubtful debts of RMB102,090,000) (2023: RMB1,628,035,000 (net of allowance for doubtful debts of RMB104,037,000)).

Equity settled share-based payments

Equity-settled share options are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would be material for the amount of equity settled share-based payments recorded in the profit or loss.

During the year ended 31 December 2024, approximately RMB21,837,000 (2023: RMB3,506,000) of share-based payments expense was charged to profit or loss based on the fair value at date of grant and the vesting period.

Equity-settled share award are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share award is recognised as an employee cost and/or capitalised with a corresponding increase in the share-based compensation reserve within equity.

During the year ended 31 December 2024, approximately RMB94,384,000 (2023: Nil) of share award scheme expenses was charged to profit or loss based on the fair value at date of grant.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB and United States dollars ("US$"). During the years ended 31 December 2024 and 2023, the Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2024, if the US$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB14,120,000 lower (2023: consolidated profit after tax for the year would have been approximately RMB17,092,000 lower), arising mainly as a result of lower foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US$. If the US$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB14,120,000 higher (2023: consolidated profit after tax for the year would have been approximately RMB17,092,000 higher), arising mainly as a result of higher foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US$.

As set out in note 30 of the consolidated financial statements, at the end of the reporting period, the Group had outstanding foreign currency forward contracts which also expose the Group to foreign currency risk.

At 31 December 2024 and 2023, all outstanding foreign currency forward contracts are used to hedge the risk of depreciation of US$ against RMB and depreciation of Euro against RMB. The directors of the Group consider that the foreign currency exposure in respect of the outstanding foreign currency forward contracts for the years ended 31 December 2024 and 2023 is insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and bills receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade and bills receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 to 90 days from the date of billing. The Group obtained collaterals from certain of its customers.

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For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Trade and bills receivables and contract assets (Cont'd)

The Group measures loss allowances for trade and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group measures loss allowances for bills receivables using individual assessment.

The Group assessed that trade receivables arising from entering business with Small and medium-sized enterprises (Group 2) and with those larger size enterprises (Group 1) (e.g. state-owned enterprises; well-established or listed companies) are subject to different loss patterns and therefore determined to segment those trade receivables into two different groups which would better reflect the shared credit risk characteristics of the customers in each grouping.

The following tables provide information about the Group's exposure to credit risk (due dates are based on the contractual rights) and ECLs for trade and bills receivables:

As at 31 December 2024

	Current	Not more than 90 days past due	More than 90 days past due	More than 180 days past due	More than 1 year past due	More than 2 years past due	Total
Trade and bills receivables							
Expected loss rate							
– Collectively assessed							
Group 1	0.06%	0.82%	3.75%	5.39%	16.24%	100%	
Group 2	1.28%	3.36%	12.84%	N/A	N/A	100%	
Gross carrying amount							
– Collectively assessed							
Group 1 (RMB'000)	136,697	106,724	462	1,013	1,524	12,703	259,123
Group 2 (RMB'000)	32,727	7,373	4,014	–	–	2,346	46,460
– Specifically assessed (RMB'000)	25,476	–	–	–	161	35,551	61,188
Total	194,900	114,097	4,476	1,013	1,685	50,600	366,771
Loss allowance							
– Collectively assessed							
Group 1 (RMB'000)	89	872	17	55	247	12,703	13,983
Group 2 (RMB'000)	421	248	515	–	–	2,346	3,530
– Specifically assessed (RMB'000)	25,476	–	–	–	161	35,551	61,188
Total	25,986	1,120	532	55	408	50,600	78,701

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Trade and bills receivables and contract assets (Cont'd)

As at 31 December 2023

	Current	Not more than 90 days past due	More than 90 days past due	More than 180 days past due	More than 1 year past due	More than 2 years past due	Total
Trade and bills receivables							
Expected loss rate							
– Collectively assessed							
Group 1	0.58%	3.18%	N/A	N/A	22.10%	100%	
Group 2	1.13%	N/A	N/A	N/A	N/A	100%	
Gross carrying amount							
– Collectively assessed							
Group 1 (RMB'000)	1,109,172	418	–	–	2,155	15,896	1,127,641
Group 2 (RMB'000)	18,698	–	–	–	–	3,284	21,982
– Specifically assessed (RMB'000)	25,476	–	–	–	39,785	9,520	74,781
Total	1,153,346	418	–	–	41,940	28,700	1,224,404
Loss allowance							
– Collectively assessed							
Group 1 (RMB'000)	6,411	13	–	–	476	15,896	22,796
Group 2 (RMB'000)	212	–	–	–	–	3,284	3,496
– Specifically assessed (RMB'000)	25,476	–	–	–	39,785	9,520	74,781
Total	32,099	13	–	–	40,261	28,700	101,073

For the purpose to measure the loss allowances for the unbilled trade receivables balance, the Group determine if these unbilled receivables are past due by reference to the stipulated payment terms of the respective contracts.

Expected loss rate of contract assets for Group 1 and Group 2 customers are assessed to be 0.06% and 1.28% respectively (2023: 0.58% and 1.13% respectively). As at 31 December 2024, the loss allowance provision for contract assets amounted to RMB23,389,000 (2023: RMB2,964,000).

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

Certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis of which the expected credit loss rate was adjusted for factors that were specific to these customers.

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Trade and bills receivables and contract assets (Cont'd)

Movement in the loss allowance account in respect of trade and bills receivables and contract assets during the year is as follows:

	Trade receivables RMB'000	Contract assets RMB'000	Total RMB'000
At 1 January 2023	94,951	29	94,980
Impairment losses recognised for the year	6,122	2,935	9,057
At 31 December 2023 and 1 January 2024	**101,073**	**2,964**	**104,037**
(Reversal of impairment losses)/Impairment losses recognised for the year	**(22,372)**	**20,425**	**(1,947)**
At 31 December 2024	**78,701**	**23,389**	**102,090**

The following changes in the gross carrying amounts of trade and bills receivables and contract assets contributed to the decrease in the loss allowance during 2024:

– collection of trade and bills receivables resulted in a decrease in loss allowance for trade receivables.

– increase in credit risk resulted in an increase in loss allowance for contract assets.

Other receivables

All of the Group's other receivables are considers to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	Other receivables RMB'000
At 1 January 2023	17
Reversal of impairment losses recognised for the year	(9)
At 31 December 2023 and 1 January 2024 and 31 December 2024	8

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Trade and bills payables	**417,607**	**–**	**–**	**–**	**417,607**
Accruals and other payables	**109,317**	**–**	**–**	**–**	**109,317**
Lease liabilities	**8,767**	**3,304**	**5,054**	**6,477**	**23,602**
Other borrowings	**1,094**	**–**	**–**	**–**	**1,094**
Bank borrowings	**57,185**	**30,962**	**–**	**–**	**88,147**
At 31 December 2023					
Trade and bills payables	699,455	–	–	–	699,455
Accruals and other payables	113,742	–	–	–	113,742
Lease liabilities	8,303	7,291	4,036	8,138	27,768
Bank borrowings	93,285	199,540	30,965	–	323,790

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on derivatives instruments that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrative by the yield curves at the end of the reporting period.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	**27,282**	**–**	**–**	**–**	**27,282**
– Outflow	**(28,816)**	**–**	**–**	**–**	**(28,816)**
	(1,534)	**–**	**–**	**–**	**(1,534)**
At 31 December 2023					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	345,117	–	–	–	345,117
– Outflow	(352,395)	–	–	–	(352,395)
	(7,278)	–	–	–	(7,278)

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For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposit, bank and other borrowings. Part of the Group's bank deposits and bank and other borrowings bear interests at variable rates varied with the then prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 December 2024, if interest rates had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB5,469,000 lower (2023: consolidated profit after tax for the year would have been approximately RMB3,697,000 lower), arising mainly as net result of lower interest income on bank deposits and lower bank loans interest expenses. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB5,469,000 higher (2023: consolidated profit after tax for the year would have been approximately RMB3,697,000 higher), arising mainly as a net result of higher interest income on bank deposits and higher bank loans interest expenses.

The Group's other fixed-rate bank deposits and bank borrowings bear fixed interest rates and therefore are subject to fair value interest rate risks.

(e) Categories of financial instruments at 31 December

	2024 RMB'000	2023 RMB'000
Financial assets:		
Financial assets at fair value through profit or loss		
Unlisted mutual funds	–	58,283
Financial assets measured at amortised cost	1,665,300	2,547,570
Derivative financial instruments – held for trading	–	703
Financial liabilities:		
Financial liabilities at amortised cost	613,382	1,122,498
Derivative financial instruments – held for trading	1,532	7,886

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy at:

31 December 2024

Description	Fair value measurements using Level 2 RMB'000
Recurring fair value measurements:	
Financial assets:	
Financial assets at fair value through profit or loss	
Unlisted private funds	–
Derivatives	–
Foreign currency forward	
Total	–
Financial liabilities:	
Derivatives	
Foreign currency forward	1,532
Total	1,532

31 December 2023

Description	Fair value measurements using Level 2 RMB'000
Recurring fair value measurements:	
Financial assets:	
Financial assets at fair value through profit or loss	
Unlisted private funds	58,283
Derivatives	
Foreign currency forward	703
Total	58,986
Financial liabilities:	
Derivatives	
Foreign currency forward	7,886
Total	7,886

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7. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2024:

The Group has engaged external valuation expert with the professional qualifications and recent experience to perform the fair value measurement of foreign currency forward contracts outstanding as at 31 December 2024.

The fair value of unlisted private funds are determined based on their net asset value, representing the fair value of the funds reported by respective fund managers as at 31 December 2023.

The valuation techniques used and the key inputs to the level 2 fair value measurements are set out below:

Level 2 fair value measurements

			Fair value			
			2024		2023	
Description	Valuation technique	Key inputs	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Unlisted private funds	Net asset value	Net asset value	–	–	58,283	–
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	–	1,532	703	7,886
Total			–	1,532	58,986	7,886

There were no changes in the valuation techniques used for the years ended 31 December 2024 and 2023.

8. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by type of contract for the year is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by type of contract		
– Revenue from construction contracts	1,858,561	2,375,682
– Trading of products	35,806	24,518
– Technical support and other services	184,655	191,573
	2,079,022	2,591,773

8. REVENUE (CONT'D)

(a) Disaggregation of revenue (Cont'd)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following type of contract:

For the year ended 31 December 2024

	Revenue from construction contracts		Trading of products		Technical support and other services		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	7,223	12,591	35,806	24,518	1,259	–	44,288	37,109
Goods and services transferred over time	1,851,338	2,363,091	–	–	183,396	191,573	2,034,734	2,554,664
Total	1,858,561	2,375,682	35,806	24,518	184,655	191,573	2,079,022	2,591,773

For revenue from the transfer of goods and services over time, input and output methods are applied depends on the characteristics of the construction contracts and technical support and other services.

For revenue from the transfer of goods and services at a point in time, revenue is recognised when customer obtains control of the promised goods or services.

Both revenue from transfer of goods and services over time and at a point in time do not contain significant financing component.

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of products		Technical support and other services	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Within one year	433,089	2,105,479	–	–	82,124	142,888
More than one year but not more than two years	520,924	93,793	–	–	3,849	12,747
	954,013	2,199,272	–	–	85,973	155,635

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts and technical support and other service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

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For the year ended 31 December 2024

9. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Net foreign exchange gains	**1,325**	–
Compensation income	**361**	4,891
Government grants recognised *(note)*	**7,300**	9,385
Interest income on bank deposits	**14,673**	13,409
Reversal of other receivables previously written off	**3,000**	–
Gain on early termination of lease contracts	**10**	25
Fair value change on financial assets at fair value through profit or loss	**61**	–
Others	**146**	2,664
	26,876	30,374

Note: For the year ended 31 December 2024, government grants of approximately RMB3,200,000 (2023: RMB4,184,000) are recognised in relation to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. Government grants of approximately RMB4,100,000 (2023: RMB5,201,000) are recognised in relation to certain research and development activities.

10. SEGMENT INFORMATION

The Group has two reportable segments as follows:

(a) Fabrication of facilities and provision of integrated services for oil and gas industries

(b) Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries

The Group's reportable segments are strategic business units that offer product and services to different industry sector. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segment mainly represents provision of undersea maintenance services and technical support and other services for industries other than oil and gas, new energy and refinery and chemical sectors. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "Others" column.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income, certain administrative expenses and other operating expenses, finance costs, impairment losses/reversals of impairment losses on (i) trade and bills receivables; (ii) other receivables; (iii) contract assets and (iv) intangible assets and income tax expense. Segment assets do not include goodwill, derivative financial instruments, current and deferred tax assets, pledged bank deposits, bank and cash balances, financial assets at fair value through profit or loss and other corporate assets. Segment liabilities do not include bank borrowings, other borrowings, derivative financial instruments, current and deferred tax liabilities and deferred income.

10. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2024				
Revenue from external customers	1,843,134	235,589	299	2,079,022
Segment profit/(loss)	450,711	116,884	(437)	567,158
Depreciation and amortisation	113,815	1,846	212	115,873
Other material non-cash items:				
Reversal of impairment losses on trade and bills receivables, net				(22,372)
Impairment losses on contract assets				20,425
Allowances of inventories				5,258
Impairment losses on property, plant and equipment				30,510
Losses on derivative financial instruments				5,732
Additions to segment non-current assets				149,623
As at 31 December 2024				
Segment assets	2,096,722	113,688	61	2,210,471
Segment liabilities	735,379	75,694	7	811,080

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10. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities (Cont'd)

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2023				
Revenue from external customers	2,377,445	202,916	11,412	2,591,773
Segment profit	532,312	122,629	449	655,390
Depreciation and amortisation	127,295	9,202	786	137,283
Other material non-cash items:				
Impairment losses on trade and bills receivables, net				6,122
Reversals of impairment losses on other receivables				(9)
Impairment losses on contract assets				2,935
Impairment losses on intangible assets				1,915
Allowances of inventories				26,488
Impairment losses on property, plant and equipment				5,365
Losses on derivative financial instruments				27,112
Additions to segment non-current assets				7,452
As at 31 December 2023				
Segment assets	3,127,061	29,699	2,308	3,159,068
Segment liabilities	1,614,650	39,290	333	1,654,273

10. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment profit or loss, assets and liabilities

	2024 RMB'000	2023 RMB'000
Profit or loss		
Total profit of reportable segments	567,158	655,390
Unallocated amounts:		
Finance costs	(10,986)	(20,396)
Reversals of impairment losses/(Impairment losses) on trade and bills receivables	22,372	(6,122)
Reversal of impairment losses on other receivables	–	9
Impairment losses on contract assets	(20,425)	(2,935)
Impairment losses on intangible assets	–	(1,915)
Other income	26,876	30,374
Other corporate expenses	(364,943)	(268,829)
Consolidated profit before tax for the year	220,052	385,576

	2024 RMB'000	2023 RMB'000
Assets		
Total assets of reportable segments	2,210,471	3,159,068
Unallocated amounts:		
Bank and cash balances	785,161	752,717
Pledged bank deposits	64,618	51,069
Derivative financial instruments	–	703
Financial assets at fair value through profit or loss	–	58,283
Current tax assets	1,791	–
Deferred tax assets	8,394	5,228
Goodwill	52,444	52,444
Other corporate assets	4,237	5,487
Consolidated total assets	3,127,116	4,084,999
Liabilities		
Total liabilities of reportable segments	811,080	1,654,273
Unallocated amounts:		
Bank borrowings	85,500	309,300
Other borrowings	958	–
Derivative financial instruments	1,532	7,886
Current tax liabilities	–	49,693
Deferred income	18,475	16,087
Deferred tax liabilities	34,170	36,021
Consolidated total liabilities	951,715	2,073,260

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10. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group's revenue from external customers by location of customers and information about its non-current assets (excluding interest in a joint venture, deferred tax assets and trade receivables non-current portion) by location of assets are detailed below:

	Revenue		Non-current assets	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**558,436**	289,642	**1,353,027**	1,354,281
United States	**35,942**	39,940	**–**	–
Switzerland	**197,956**	458,717	**–**	–
Norway	**–**	244	**–**	–
Singapore	**5,936**	1,237	**–**	–
France	**39,302**	15,119	**–**	–
United Kingdom	**8,058**	200,356	**–**	–
Netherlands	**2,226**	68,741	**–**	–
United Arab Emirates	**1,078,543**	1,343,194	**–**	–
Others	**152,623**	174,583	**–**	–
Consolidated total	**2,079,022**	2,591,773	**1,353,027**	1,354,281

10. SEGMENT INFORMATION (CONT'D)

Revenue from major customers

	Fabrication of facilities and provision of integrated services for oil and gas industries RMB'000	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2024				
Customer A	**97,404**	**–**	**299**	**97,703**
Customer B	**194,593**	**–**	**–**	**194,593**
Customer C	**1,078,543**	**–**	**–**	**1,078,543**
Customer D	**–**	**233,363**	**–**	**233,363**
Year ended 31 December 2023				
Customer A	133,585	124	8,763	142,472
Customer B	448,095	–	–	448,095
Customer C	1,330,579	–	–	1,330,579

Information about major customers

Revenue from customers of the corresponding years contributing over 10% (2023: 10%) of the total revenue of the Group is as follows:

	Revenue generated from	2024 RMB'000	2023 RMB'000
Customer C	Fabrication of facilities and provision of integrated services for oil and gas industries	**1,078,543**	1,330,579
Customer D	Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	**233,363**	N/A*

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

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11. OTHER OPERATING EXPENSES

	2024 RMB'000	2023 RMB'000
Net losses on disposal of property, plant and equipment	705	269
Net foreign exchange losses	–	7,526
Allowances on inventories	5,258	26,488
Impairment losses on property, plant and equipment	30,510	5,365
Losses on derivative financial instruments	5,732	27,112
Written off of trade receivables	4,963	–
Impairment losses on intangible assets	–	1,915
Loss on deregistration of branches of a subsidiary	–	572
Loss on disposal of a subsidiary *(Note 24)*	282	–
Others	4,221	3,565
	51,671	72,812

12. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	7,592	18,601
Interest on lease liabilities	1,074	1,364
Others	2,320	431
	10,986	20,396

13. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	40,062	81,129
(Over)/Under-provision in prior years	(59)	4,785
	40,003	85,914
Deferred tax *(Note 40)*	(5,017)	44,673
	34,986	130,587

13. INCOME TAX EXPENSE (CONT'D)

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits arising in Hong Kong for the years ended 31 December 2024 and 2023.

(b) PRC Enterprise Income Tax

Pursuant to relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rates of the Group's PRC subsidiaries are as follows:

(i) *Penglai Jutal*

Penglai Jutal was approved to be recognised as a new and high technology enterprise starting from 12 December 2022 to 11 December 2025.

During the year ended 31 December 2024, Penglai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2023: 15%).

(ii) *Zhuhai Jutal Offshore Oil Services Company Limited ("Zhuhai Jutal")*

Zhuhai Jutal was approved to be recognised as a new and high technology enterprise starting from 9 December 2020 to 8 December 2023. During the year ended 31 December 2023, Zhuhai Jutal has applied and being approved to continue to be recognised as a new and high technology enterprise for another three years until 27 December 2026.

During the year ended 31 December 2024, Zhuhai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2023: 15%).

(iii) The tax rate applicable to other Group's PRC subsidiaries were 25% (2023: 25%) during the year.

(c) Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	220,052	385,576
Tax at the PRC enterprise income tax rate of 25% (2023: 25%)	55,013	96,394
Tax effect of income that is not taxable	(3,124)	(231)
Tax effect of expenses that are not deductible	19,548	15,792
Tax effect of tax losses previously not recognised	(15,936)	(1,958)
Tax effect of tax losses not recognised	2,558	17,930
Deferred tax on undistributed earnings of the PRC subsidiaries	(1,392)	1,962
Tax effect on deferred tax assets previously recognised	8,750	53,323
Tax benefit for qualifying research and development expenses	(6,442)	(6,589)
(Over)/Under-provision in prior years	(59)	4,785
Effect of different tax rates of subsidiaries	(23,930)	(50,821)
Income tax expense	34,986	130,587

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14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after (crediting)/charging the following:

	2024 RMB'000	2023 RMB'000
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	374,515	352,313
Retirement scheme contributions	36,888	31,623
Share-based payments	116,221	3,506
	527,624	387,442
Amortisation of intangible assets	1,311	1,716
Depreciation on property, plant and equipment	95,775	115,417
Depreciation on right-of-use assets	18,787	20,150
Net loss on disposals of property, plant and equipment*	705	269
Net foreign exchange (gains)/losses*	(1,325)	7,526
Research and development expenditure	78,262	99,557
Auditor's remuneration	1,650	1,550
Cost of inventories utilised in construction contracts and sold	324,917	513,840
Cost of service	356,826	257,320
Allowances for inventories*	5,258	26,488
(Reversals)/Impairment of allowance on trade and bills receivables	(22,372)	6,122
Impairment of allowance on contract assets	20,425	2,935
Impairment losses on property, plant and equipment*	30,510	5,365
Impairment losses on intangible assets*	–	1,915
Losses on derivative financial instruments*	5,732	27,112

* *This amount is included in "Other income"/"Other operating expenses"*

15. EMPLOYEE BENEFITS EXPENSE

	2024 RMB'000	2023 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	374,515	352,313
Retirement benefit scheme contributions	36,888	31,623
Share-based payments	116,221	3,506
	527,624	387,442

No director waive or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

15. EMPLOYEE BENEFITS EXPENSE (CONT'D)

(a) Pensions – defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong.

Pursuant to the relevant laws and regulations in the People's Republic of China, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2024 and 2023 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2023: two) directors whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining two individuals (2023: three individuals) is set out below:

	2024 RMB'000	2023 RMB'000
Basic salaries and allowances	1,380	3,964
Share-based payments	6,464	–
Equity-settled share award scheme expenses	25,741	–
Retirement benefits scheme contributions	141	–
	33,726	3,964

The emoluments of this remaining two individuals (2023: three individuals) fell within the following bands:

	Number of individuals	
	2024	2023
HK$1,000,001 to HK$1,500,000 (approximately RMB860,001 to RMB1,290,000)	–	1
HK$1,500,001 to HK$2,000,000 (approximately RMB1,290,001 to RMB1,720,000)	–	2
HK$2,000,001 or above (approximately RMB1,720,001 or above)	2	–

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16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director are set out below:

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Mr. Wang Lishan	–	2,191	5,000	18,256	–	25,447
Mr. Cao Yunsheng *(note a)*	–	741	5,000	24,352	–	30,093
Mr. Liu Yunian *(note b)*	–	–	–	–	–	–
Mr. Tang Hui *(note c)*	–	380	–	5,458	42	5,880
Mr. Zhao Wuhui *(note d)*	–	765	–	9,059	73	9,897
	–	4,077	10,000	57,125	115	71,317
Independent non-executive directors						
Mr. Tam Kin Yip	240	–	–	347	–	587
Mr. Han Guimao *(note e)*	–	–	–	–	–	-
Ms. Choy So Yuk	240	–	–	347	–	587
Mr. Cheung Ngar Tat Eddie	240	–	–	347	–	587
Mr. Zhang Hua *(note f)*	233	–	–	–	–	233
	953	–	–	1,041	–	1,994
Total for 2024	953	4,077	10,000	58,166	115	73,311
Executive directors						
Mr. Wang Lishan	–	2,175	–	–	–	2,175
Mr. Cao Yunsheng *(note a)*	–	1,491	–	557	42	2,090
Mr. Liu Yunian *(note b)*	–	727	–	247	–	974
	–	4,393	–	804	42	5,239
Independent non-executive directors						
Mr. Tam Kin Yip	242	–	–	56	–	298
Mr. Han Guimao *(note e)*	360	–	–	56	–	416
Ms. Choy So Yuk	242	–	–	56	–	298
Mr. Cheung Ngar Tat Eddie	242	–	–	56	–	298
	1,086	–	–	224	–	1,310
Total for 2023	1,086	4,393	–	1,028	42	6,549

16. BENEFITS AND INTERESTS OF DIRECTORS (CONT'D)

(a) Directors' emoluments (Cont'd)

Notes:

(a) *Mr. Cao Yunsheng resigned as an executive director on 24 June 2024.*

(b) *Mr. Liu Yunian resigned as an executive director on 12 January 2024.*

(c) *Mr. Tang Hui was appointed as an executive director on 24 June 2024.*

(d) *Mr. Zhao Wuhui was appointed as an executive director on 12 January 2024 and resigned as an executive director on 18 December 2024.*

(e) *Mr. Han Guimao was resigned as an independent non-executive director on 12 January 2024.*

(f) *Mr. Zhang Hua was appointed as an independent non-executive director on 12 January 2024.*

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. DIVIDENDS

Dividends attributable to the year

	2024 RMB'000	2023 RMB'000
Interim dividend of HK$0.03 per ordinary share	**54,882**	–

There was no dividends attributable to the previous financial year, approved and paid during the year.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

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18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2024 RMB'000	2023 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	185,066	254,989

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,047,506,859	1,981,598,389
Effect of dilutive potential ordinary shares arising from share options	18,049,634	78,022
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,065,556,493	1,981,676,411

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the year. For the year ended 31 December 2024, the number of shares used in the calculation of basic earnings per share include the weighted average number of shares in issue and vested shares at nil consideration in Note 42(b) less shares not yet awarded held for share award scheme.

Diluted earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue during the year after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings, pier and other infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2023	1,189,635	483,954	108,279	17,333	7,764	1,806,965
Additions	316	959	1,535	526	2,552	5,888
Reclassification	28	–	1,549	–	(1,577)	–
Write off/disposals	(4,074)	(57,935)	(1,142)	(5,208)	–	(68,359)
Exchange realignment	–	–	14	16	–	30
At 31 December 2023 and 1 January 2024	1,185,905	426,978	110,235	12,667	8,739	1,744,524
Additions	840	13,854	1,928	395	126,951	143,968
Reclassification	1,180	154	3,964	–	(5,298)	–
Write off/disposals	–	(36,000)	(2,638)	(1,372)	–	(40,010)
Exchange realignment	–	–	19	17	–	36
At 31 December 2024	1,187,925	404,986	113,508	11,707	130,392	1,848,518
Accumulated depreciation and impairment						
At 1 January 2023	401,538	281,038	73,529	14,833	–	770,938
Charge for the year	57,471	48,849	8,207	890	–	115,417
Write off/disposals	(1,244)	(57,406)	(1,138)	(5,145)	–	(64,933)
Provision for impairment losses	–	5,365	–	–	–	5,365
Exchange realignment	–	–	10	8	–	18
At 31 December 2023 and 1 January 2024	457,765	277,846	80,608	10,586	–	826,805
Charge for the year	53,830	34,098	7,019	828	–	95,775
Write off/disposals	–	(32,789)	(2,581)	(1,360)	–	(36,730)
Provision for impairment losses	–	30,510	–	–	–	30,510
Exchange realignment	–	–	20	11	–	31
At 31 December 2024	511,595	309,665	85,066	10,065	–	916,391
Carrying amount						
At 31 December 2024	676,330	95,321	28,442	1,642	130,392	932,127
At 31 December 2023	728,140	149,132	29,627	2,081	8,739	917,719

At 31 December 2024 and 2023, there is no property, plant and equipment was pledged as security.

At 31 December 2024, the Group has certain building structures with carrying amounts of approximately RMB32,506,000 (2023: RMB35,299,000) erected on certain leasehold lands which the Group is still in the process obtaining the respective land use right certificates. Accordingly, the Group has not obtained the relevant ownership certificates for these building structures. In addition, at 31 December 2024, the Group is still in the process of obtaining the ownership certificates of other building structures with carrying amounts of approximately RMB7,130,000 (2023: RMB17,817,000).

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19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the year, the Group assessed the recoverable amount of a machinery located in Penglai Jutal and as a result recognised impairment loss of RMB24,527,000 (2023: nil) in the consolidated financial statements.

During the year, the Group assessed the recoverable amount of a construction cash generating unit ("CGU") located in Zhuhai, the PRC ("Zhuhai construction CGU") and as a result recognised impairment losses of RMB5,983,000 (2023: RMB5,365,000) in respect of the property, plant and equipment attributable to that cash generating unit.

Below details is the impairment assessment of the Zhuhai construction CGU.

The recoverable amounts of the Zhuhai construction CGU have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on the financial budgets approved by the directors covering a five-year period.

The key assumptions used by management in setting the financial budgets were as follows:

(a) Pre-tax discount rate of 12.4% (2023: 12.1%) per annum calculated by using weighted average cost of capital;

(b) The management realised that the poor performance arises from the Zhuhai construction CGU site in recent years mainly due to mismatch of the production capacity (including technical capabilities; staff and production resources) against those larger scope fabrication project. The mismatch resulted in delay of production progress and increased in overall production cost. The management therefore determined that starting in year 2023, the Zhuhai construction CGU site will only handle the smaller scope projects and equipment fabrication work of which these smaller scope project will have lower contract value and margin;

(c) Forecast revenue trend and growth rates was based on the secured construction contracts obtained for this CGU at the year ended 31 December 2024 and the past experience, adjusted for the change of the strategic plan made on the operation of the Zhuhai construction CGU;

(d) Operating profits was based on historical experience of operating margins, adjusted for the impact of change of the strategic plan made on the operation of the Zhuhai construction CGU and cost saving initiatives;

(e) Cash conversion was based on the historical ratio of operating cash flow to operating profit;

(f) Cash flows beyond five-year period of the base case scenario have been extrapolated using a steady 3% (2023: 2.2%) per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

20. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2023	368,951	28,764	397,715
Additions	–	1,564	1,564
Termination of leases	–	(514)	(514)
Depreciation	(11,269)	(8,881)	(20,150)
Exchange difference	–	16	16
At 31 December 2023 and 1 January 2024	357,682	20,949	378,631
Additions	–	5,655	5,655
Lease modification	–	(314)	(314)
Termination of leases	–	(911)	(911)
Depreciation	(11,237)	(7,550)	(18,787)
Exchange difference	–	5	5
At 31 December 2024	346,445	17,834	364,279

The Group owns several industrial buildings where its construction facilities and office buildings are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group leases various offices, warehouses, and staff quarters for its operations for the year ended 31 December 2024. Lease contracts are entered into for fixed term of 30 months to 15.5 years (2023: 30 months to 15.5 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The leasehold land was amortised on a straight-line basis over the lease term of 50 years (2023: 50 years).

Lease liabilities of RMB20,486,000 (2023: RMB23,825,000) are recognised with related right-of-use assets of RMB17,834,000 (2023: RMB20,949,000) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

At 31 December 2024, the Group is still in the process of obtaining the land use rights certificates of certain leasehold lands with the carrying amounts of approximately RMB7,575,000 (2023: RMB7,782,000).

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20. RIGHT-OF-USE ASSETS (CONT'D)

	2024 RMB'000	2023 RMB'000
Depreciation expenses on right-of-use assets	18,787	20,150
Interest expense on lease liabilities (included in finance cost)	1,074	1,364
Expenses relating to short-term lease (included in cost of sales and services and administrative expense)	2,511	2,424
Expenses relating to leases of low value assets (included in administrative expenses)	615	302

Details of total cash outflow for leases is set out in note 45(c).

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)	
	2024 RMB'000	2023 RMB'000
Fabrication site – PRC	10,441	11,531

	Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2024 RMB'000	2023 RMB'000
Fabrication site – PRC	20,979	20,979

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2024 and 2023, there has been no such triggering event.

21. INTEREST IN A JOINT VENTURE

	2024 RMB'000
Cost of investment in a joint venture	102
Share of post-acquisition profits and other comprehensive income, net of dividends received	(40)
	62

As at 31 December 2024, details of the Group's interest in a joint venture which is an unlisted corporate entity whose quoted market price is not available, are as follows:

Name of joint venture	Form of business structure	Country/place of incorporation and business	Particulars of issued and paid up capital	% of interest held	Principal activity
Thoresen Jutal Offshore Engineering Heavy Industries (Thailand) Limited	Limited liability company	Thailand	THB1,000,000	49%	Provision of professional service for engineering, procurement and construction in offshore oil & gas, onshore modular plants and facilities, offshore renewable and green energy as well as shipbuilding industries

Note: *Thoresen Jutal Offshore Engineering Heavy Industries (Thailand) Limited was invested by the Group during the year ended 31 December 2024. Thoresen Jutal Offshore Engineering Heavy Industries (Thailand) Limited is a strategic partner for the Group's further expansion in the Southeast Asia market.*

22. GOODWILL

	RMB'000
Cost	
At 31 December 2023, 1 January 2024 and 31 December 2024	52,444
Accumulated impairment losses	
At 31 December 2023, 1 January 2024 and 31 December 2024	–
Carrying amount	
At 31 December 2024 and 31 December 2023	52,444

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22. GOODWILL (CONT'D)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2024 RMB'000	2023 RMB'000
Offshore oil and natural gas exploration facilities fabrication business ("Oil and gas construction CGU")	**52,444**	52,444
At 31 December	**52,444**	52,444

The recoverable amounts of the Oil and gas construction CGU have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate of 15% (2023: 12.8%) per annum calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

(a) Forecast revenue trend and growth rates was based on the secured construction contracts obtained for this CGU at the year ended 31 December 2024 and past experience, adjusted for the change of the management's expectation of market development of the related business segment;

(b) Operating profits was based on historical experience of operating margins;

(c) Cash conversion was based on the historical ratio of operating cash flow to operating profit;

(d) Cash flow beyond five-year period have been extrapolated using a steady 3% (2023: 2.2%) per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

The recoverable amount calculated based on value in use exceeded carrying value by RMB827,823,000 (2023: RMB2,425,384,000). The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of this CGU. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the Oil and gas construction CGU is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

23. INTANGIBLE ASSETS

	RMB'000
Cost	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	24,875
Accumulated amortisation	
At 1 January 2023	15,757
Amortisation for the year	1,716
At 31 December 2023 and 1 January 2024	17,473
Amortisation for the year	1,311
At 31 December 2024	18,784
Accumulated impairment	
At 1 January 2023	–
Impairment for the year	1,915
At 31 December 2023, 1 January 2024 and 31 December 2024	1,915
Carrying amount	
At 31 December 2024	4,176
At 31 December 2023	5,487

The Group's patents and computer software protect the design and specification of certain type of the Group's products and services. The average remaining amortisation period of patents and computer software are 2.7 years (2023: 3.7 years).

24. SUBSIDIARIES

List of subsidiaries

Particulars of the Group's major subsidiaries as at 31 December 2024 are as follows:

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Directly held:					
Jutal Investment Limited	British Virgin Islands/Limited liability company	5 ordinary shares of US$1 each (2023: 5 ordinary shares of US$1 each)	100% (2023: 100%)	–	Investment holding
Jutal Investment Limited	Hong Kong/Limited liability company	1 ordinary share (2023: N/A)	100% (2023: N/A)	–	Investment holding

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24. SUBSIDIARIES (CONT'D)

List of subsidiaries (Cont'd)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
Indirectly held:					
Stand Success Resources Limited	British Virgin Islands/Limited liability company	1 ordinary share of US$1 (2023: 1 ordinary share of US$1)	–	100% (2023: 100%)	Investment holding
Jutal Engineering Company Limited	Hong Kong/Limited liability company	6 ordinary shares (2023: 2 ordinary shares)	–	100% (2023: 100%)	Provision of integrated services for oil and gas industries
Jutal Holdings Limited	British Virgin Islands/Limited liability company	2 ordinary shares of US$1 each (2023: 2 ordinary shares of US$1 each)	–	100% (2023: 100%)	Investment holding
Hong Kong Jutal Holdings Limited	Hong Kong/Limited liability company	157,045,434 ordinary shares (2023: 157,045,432 ordinary shares)	–	100% (2023: 100%)	Investment holding
Advance Engineering (Asia) Limited	Hong Kong/Limited liability company	1,000,000 ordinary shares (2023: 1,000,000 ordinary shares)	–	100% (2023: 100%)	Trading of biofuel products
巨濤油田服務（天津）有限公司 (Jutal Oilfield Services (Tianjin) Company Limited)	PRC/wholly-foreign-owned enterprise	Paid up and registered capital of HK$10,000,000 (2023: Paid up and registered capital of HK$10,000,000)	–	100% (2023: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
深圳巨濤機械設備有限公司 (Shenzhen Jutal Machinery Equipment Company Limited)	PRC/wholly-foreign-owned enterprise	Paid up Capital of RMB200,000,000; Registered capital of RMB700,000,000 (2023: Paid up Capital of RMB200,000,000; Registered capital of RMB700,000,000)	–	100% (2023: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
珠海巨濤海洋石油服務有限公司(Zhuhai Jutal Offshore Oil Services Company Limited)	PRC/Limited liability company	Paid up and registered capital of RMB500,000,000 (2023: Paid up and registered capital of RMB500,000,000)	–	100% (2023: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries

24. SUBSIDIARIES (CONT'D)

List of subsidiaries (Cont'd)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing Direct	Indirect	Principal activities
巨濤海洋船舶工程服務（大連）有限公司 (Jutal Offshore Shipbuilding Services (Dalian) Company Limited)	PRC/sino-foreign equity joint venture	Paid up and registered capital of HK$33,330,000 (2023: Paid up and registered capital of HK$33,330,000)	–	100% (2023: 100%)	Provision of technical support services for shipbuilding industry
成都巨濤油氣工程有限公司 (Chengdu Jutal Oil and Gas Engineering Co., Ltd.)	PRC/Limited liability company	Paid up capital of RMB3,000,000 (2023: Paid up capital of RMB3,000,000) Registered capital of RMB10,000,000 (2023: Registered capital of RMB10,000,000)	–	100% (2023: 100%)	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
深圳市藍海潛水工程有限公司(Shenzhen Marine Diving Engineering Co., Ltd.) *(note a)*	PRC/Limited liability company	N/A (2023: Paid up and registered capital of RMB20,000,000)	–	0% (2023: 100%)	Provision of undersea maintenance services
蓬萊巨濤海洋工程重工有限公司(Penglai Jutal)	PRC/sino-foreign equity joint venture	Paid up capital of US$139,580,000 (2023: Paid up capital of US$69,360,000) Registered capital of US$139,580,000 (2023: Registered capital of US$129,700,000)	–	100% (2023: 100%)	Sales and construction of offshore oil and natural gas exploration facilities; quayside machineries and chemical engineering facilities; design, fabrication, installation and repair of steel formation structures; and provision of other quayside and warehouse services

The above list contains the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group.

Notes:

(a) On 31 May 2024, the Group disposed 100% of the equity interest in Shenzhen Marine Diving Engineering Co., Ltd. for a total cash consideration of RMB1,200,000. For the year ended 31 December 2024, a loss on disposal of a subsidiary of approximately RMB282,000 was recognised. The disposal was completed during the year and the consideration was received in full.

(b) During the year ended 31 December 2023, the Group deregistered several branches of Shenzhen Jutal Machinery Equipment Company Limited and loss on deregistration of branches of a subsidiary amounted to RMB572,000 was recognised in other operating expenses.

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25. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**93,228**	110,569

26. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**365,421**	1,215,162
Allowance for doubtful debts	**(78,701)**	(101,073)
	286,720	1,114,089
Bills receivables	**1,350**	9,242
	288,070	1,123,331
Classified as:		
Trade receivables, non-current	**3,417**	3,846
Trade and bills receivables, current	**284,653**	1,119,485
	288,070	1,123,331

The Group's trading terms with customers are mainly on credit. The credit terms other than retentions receivables generally range from 30 to 90 days. The credit terms for retentions receivables generally range from 12 to 24 months after completion of the respective construction and other services contracts. The credit terms for bills receivables generally range from 180 to 270 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Billed		
0 to 30 days	**136,215**	867,651
31 to 90 days	**115,542**	229,171
91 to 365 days	**30,277**	16,704
Over 365 days	**42,500**	58,821
	324,534	1,172,347
Unbilled *(note a)*	**40,887**	42,815
	365,421	1,215,162

Note:

(a) The unbilled balance mainly in relation to provision of construction and other services which will be billed in accordance with the payment terms stipulated in the relevant contracts entered into between the Group and the contract customers. As at 31 December 2024, unbilled balance of RMB3,417,000 (2023: RMB3,846,000) will be billed after one year from the end of the reporting date.

26. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2024, trade receivables aged over 90 days include retentions receivables amounted to approximately RMB11,208,000 (2023: RMB12,820,000).

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	274,298	1,026,749
United States Dollar ("US$")	12,468	95,306
Hong Kong Dollar ("HK$")	1,304	1,276
	288,070	1,123,331

27. CONTRACT COST ASSETS

	2024 RMB'000	2023 RMB'000
Contract cost assets	1,271	1,298

The amount represents the costs incurred that relate directly to an existing contract or to specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. The movement of the contract cost assets is as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	1,298	10,091
Additions	–	26
Amortisation for the year	(27)	(8,819)
At 31 December	1,271	1,298

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28. CONTRACT ASSETS/CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract assets		
Arising from performance under construction contracts	393,058	453,074
Arising from performance under technical support and other services	83,627	51,630
	476,685	504,704
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and bills receivables"	288,070	1,123,331

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payments for technical support and other services are not due from the customer until the related services are complete and therefore a contract asset is recognised over the period in which the technical support and other services are performed to represent the entity's right to consideration for the services performed to date.

During the reporting period, the decrease in contract assets was mainly due to the decrease in recognising revenue before being unconditionally entitled to the consideration under the payment terms set out in respective contracts.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is RMB176,000 (2023: RMB1,860,000), mainly due to the changes in the final transaction price of certain construction and service contracts.

No contract assets is expected to be recovered after more than one year (2023: Nil).

	2024 RMB'000	2023 RMB'000
Contract liabilities		
Billings in advance of performance obligation		
– Construction contracts	57,875	640,133
– Technical support and other services	3,082	8,770
	60,957	648,903

Contract liabilities relating to construction contracts/technical support and other services are balances due to customers under construction contracts/technical support and other services. These arise if a particular milestone payment exceeds the revenue recognised to date under the percentage of completion method.

28. CONTRACT ASSETS/CONTRACT LIABILITIES (CONT'D)

During the reporting period, decrease in the contract liabilities balance mainly because of decrease in advance payments from contract customers and the fulfilment of performance obligations.

Movements in contract liabilities:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	**648,903**	128,220
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(641,320)**	(120,877)
Increase in contract liabilities as a result of billing in advance of construction activities	**53,374**	641,560
Balance at 31 December	**60,957**	648,903

No billings in advance are expected to be recognised as income after more than one year (2023: Nil).

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments	**4,044**	7,067
Deposits	**9,047**	64,503
Other receivables *(note)*	**41,727**	51,254
	54,818	122,824
Less: Allowance for other receivables	**(8)**	(8)
	54,810	122,816

Note: The amount included value-added tax receivables amounted to RMB22,122,000 (2023: RMB35,811,000).

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30. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Financial assets		
Derivatives not under hedge accounting:		
Foreign currency forward	–	703
Financial liabilities		
Derivatives not under hedge accounting:		
Foreign currency forward	1,532	7,886

At 31 December 2024 and 2023, the Group had outstanding foreign currency forward contracts mainly to hedge the foreign currency risk arising from certain of its contract revenue, trade receivables and contract assets denominated in Euro and US$. The maximum notional principal amounts of these outstanding foreign currency forward contracts at the end of the reporting period were as follows:

	2024 RMB'000	2023 RMB'000
Sell US$ for RMB	28,419	354,534
Sell Euro for RMB	–	–

The carrying amounts of the foreign currency forward contracts are the same as their fair value. The above transactions involving derivative financial instruments are conducted with commercial banks with high credit-ratings assigned by international credit-rating agencies.

The Group did not fulfill the conditions of hedging relationship under the stringent and comprehensive documentation requirements as defined in HKFRS 9 "Financial Instruments" and the foreign currency forward contracts are measured at fair value through profit or loss.

The net change in the fair value of all of the non-hedging foreign currency forward contracts amounting to approximately RMB5,732,000 was debited to the profit or loss for the year ended 31 December 2024 (2023: RMB27,112,000 was debited to the profit or loss).

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Unlisted private funds	–	58,283

The unlisted private funds as at 31 December 2023 were funds managed by financial institutions incorporated in Hong Kong. They were mandatorily measured at fair value through profit or loss in accordance with HKFRS 9 as contractual cash flows are not solely payments of principal and interest. The funds are classified as current at the end of year 2023 as the investments are redeemable within 12 months after the end of the reporting period. The funds were redeemed in June 2024 and November 2024.

Details of the fair value measurement for the financial assets at fair value through profit or loss is set out in note 7.

32. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 38 to the consolidated financial statements. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

The carrying amounts of the Group's pledged bank deposits and bank and cash balances are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	611,630	601,087
HK$	99,409	93,378
US$	138,016	101,251
Euro	146	7,984
Others	578	86
	849,779	803,786

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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33. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	417,607	652,050
Bills payables	–	47,405
	417,607	699,455

The ageing analysis of trade payables, based on the date of receipt of goods and services, is as follows:

	2024 RMB'000	2023 RMB'000
0 to 30 days	279,475	530,981
31 to 90 days	45,832	41,295
91 to 365 days	36,113	21,325
Over 365 days	56,187	58,449
	417,607	652,050

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	412,865	694,026
US$	1,779	4,030
HK$	117	115
GBP	939	–
Euro	1,907	1,284
Total	417,607	699,455

The credit terms of trade and bills payables generally range from 30 to 180 days.

34. ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Accrued staff costs	60,719	83,801
Payables for purchases of property, plant and equipment, construction fees and other expenses	15,704	7,276
Others	32,894	22,665
	109,317	113,742

35. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Within one year	8,767	8,303	7,959	7,312
In the second to fifth years, inclusive	8,358	11,327	5,600	9,392
After five years	6,477	8,138	6,927	7,121
	23,602	27,768	20,486	23,825
Less: Future finance charges	(3,116)	(3,943)	N/A	N/A
Present value of lease obligations	20,486	23,825	20,486	23,825
Less: Amount due for settlement within 12 months (shown under current liabilities)			(7,959)	(7,312)
Amount due for settlement after 12 months			12,527	16,513

The weighted average incremental borrowing rates applied to lease liabilities is 5.0% (2023: 5.0%).

The lease liabilities are denominated in RMB.

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36. PROVISIONS

	Warranty provision *(note (i))*		Provision for onerous contract *(note (ii))*		Total	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
At 1 January	**168,348**	59,685	**–**	72,232	**168,348**	131,917
Additional provisions	**36,128**	114,476	**–**	–	**36,128**	114,476
Provisions used	**(1,135)**	–	**–**	(72,232)	**(1,135)**	(72,232)
Unused provisions reversed	**(628)**	(5,813)	**–**	–	**(628)**	(5,813)
At 31 December	**202,713**	168,348	**–**	–	**202,713**	168,348

Notes:

(i) The warranty provision represents the Group's best estimate of the Group's liability under 18–84 months (2023: 18–84 months) warranties granted to its customers in relation to certain construction contracts under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on past experience and current expectation of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

(ii) The provision for onerous contracts related to the Group's exposure to the unavoidable cost of meeting its obligations under the contract, which exceeds the expected benefits to be received by the Group. The provision was measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

37. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank borrowings	**85,500**	309,300

The bank borrowings are repayable as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**55,000**	81,800
More than one year, but not exceeding two years	**30,500**	197,000
More than two years, but not more than five years	**–**	30,500
	85,500	309,300
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(55,000)**	(81,800)
Amount due for settlement after 12 months	**30,500**	227,500

37. BANK BORROWINGS (CONT'D)

The carrying amounts of the Group's bank borrowings are denominated in RMB.

The average interest rate of the Group's bank borrowings at 31 December 2024 was 3.95% (2023: 4.20%) per annum.

Bank borrowings of approximately RMB30,500,000 (2023: RMB49,500,000) were arranged at fixed interest rates and expose the Group to fair value interest rate risk. Bank borrowings were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2024, bank borrowings of approximately RMB85,500,000 (2023: RMB220,900,000) are secured by the followings:

i. corporate guarantee executed by a major shareholder of the Company and two subsidiaries of the Company.

The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2024 and 2023.

Taking into account the financial position of the respective subsidiaries and the guarantors, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

38. BANKING FACILITIES

At 31 December 2024, the Group had approximately RMB200,000,000 (2023: RMB104,290,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, etc, but exclude bank guarantees. The Group's banking facilities are secured by the followings:

i. a charge over the Group's pledged bank deposits (note 32); and

ii. corporate guarantees executed by a major shareholder of the Company, the Company and two subsidiaries of the Company.

As at 31 December 2024, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB270,100,000 (2023: RMB299,066,000).

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39. DEFERRED INCOME

	Notes	2024 RMB'000	2023 RMB'000
At 1 January		16,087	21,288
Addition of deferred income		6,488	–
Recognised as income and included in the Group's other income		(4,100)	(5,201)
At 31 December		18,475	16,087
Represented by:			
Government grant A	*(i)*	5,417	6,284
Government grant B	*(ii)*	7,058	9,803
Government grant C	*(iii)*	6,000	–
At 31 December		18,475	16,087
Classified as:			
Current liabilities		2,751	4,100
Non-current liabilities		15,724	11,987
		18,475	16,087

Notes:

(i) *The government grant was in relation to a development project commenced during the year ended 31 December 2014. The development project includes certain research and development activities, construction of production premises and purchase of plant and machineries, in a parcel of leasehold land with site area of 77,650 square meters located in the Equipment Manufacture Area of Gaolan Port Economic Zone in Zhuhai Province in the PRC.*

The grant is recognised as deferred income and a portion of the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended use. The remaining portion of the grant will be credited to profit or loss when the related research and development activities are successfully completed. Deferred income of approximately RMB866,000 was transferred to profit or loss for the year ended 31 December 2024 (2023: RMB866,000).

(ii) *These represent numerous different government grants in relation to certain development projects, including construction of certain production premises and purchase of certain plant and machineries.*

These grants are recognised as deferred income and the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended used. Deferred income of approximately RMB3,234,000 was transferred to profit or loss for the year ended 31 December 2024 (2023: RMB4,335,000).

(iii) *The government grant was in relation to a development project on construction of certain production equipment.*

The grant is recognised as deferred income and the deferred income will be credited to profit or loss on a straight-line basis over the useful lives of the related assets when the assets are ready for management's intended use. No deferred income was transferred to profit or loss for the year ended 31 December 2024.

40. DEFERRED TAX

The following are the deferred tax liabilities/(assets) recognised by the Group.

	Accelerated tax depreciation RMB'000	Recognition of contracting income RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	66,313	2,619	26,098	(66,752)	(42,158)	(13,880)
Charge to profit or loss for the year *(note 13)*						
– Changes in temporary differences	(6,869)	1,500	1,963	53,323	(5,244)	44,673
At 31 December 2023 and 1 January 2024	59,444	4,119	28,061	(13,429)	(47,402)	30,793
Charge to profit or loss for the year *(note 13)*						
– Changes in temporary differences	796	(6,881)	(1,392)	8,750	(6,290)	(5,017)
At 31 December 2024	60,240	(2,762)	26,669	(4,679)	(53,692)	25,776

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax liabilities	34,170	36,021
Deferred tax assets	(8,394)	(5,228)
	25,776	30,793

At the end of the reporting period the Group has unused tax losses of approximately RMB146,381,000 (2023: RMB784,866,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB43,050,000 (2023: RMB89,526,000). No deferred tax asset has been recognised in respect of the remaining approximately of RMB103,331,000 (2023: RMB695,340,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB686,000, RMB1,026,000, RMB4,488,000, RMB6,187,000, RMB27,150,000, RMB18,499,000, RMB32,527,000, RMB9,975,000 and RMB2,391,000 that can be carried forward for nine years, eight years, seven years, six years, five years, four years, three years, two years and one year respectively. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB51,538,000 (2023: RMB37,272,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

41. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2023: HK$0.01) each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	4,000,000,000	40,000

	Note	Number of shares	Amount HK$'000	Equivalent to Amount RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2023: HK$0.01) each				
At 1 January 2023, 31 December 2023 and 1 January 2024		1,981,598,389	19,816	17,783
Placement of shares	(a)	150,000,000	1,500	1,362
At 31 December 2024		2,131,598,389	21,316	19,145

Note:

(a) On 7 March 2024, the Company issued 150,000,000 ordinary shares at price of HK$0.42 per share through placement. The premium on the issue of shares, amounting to approximately HK$60,009,000 (equivalent to approximately RMB54,996,000), net of share issue expenses, was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is total borrowings and lease liabilities divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

41. SHARE CAPITAL (CONT'D)

The gearing ratio as at the 31 December 2024 and 2023 is as follows:

	2024 RMB'000	2023 RMB'000
Bank borrowings	**85,500**	309,300
Lease liabilities	**20,486**	23,825
Total equity	**2,175,401**	2,011,739
Gearing ratio	**4.87%**	16.56%

The decrease in gearing ratio from the year ended 31 December 2024 resulted primarily from decrease in bank borrowings and lease liabilities. The Group adjusts the amount of bank borrowings from time to time to meet the Group's working capital needs.

The externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2024, 48.53% (2023: 44.92%) of the shares were in public hands.

42. SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The first option scheme was effective on 21 September 2006 and was ended during the year ended 31 December 2016.

On 8 June 2016, a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company pursuant to the shareholder's resolution. Under the New Scheme, the Board of Directors of the Company may grant options to eligible participants. Eligible participants include the full time and part-time employees, directors (including independent non-executive directors), substantial shareholders of each member of the Group, associates of the directors and substantial shareholders of any member of the Group, trustee of any trust pre-approved by the Board; and any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group whom the Board considers, in its sole discretion, has contributed or contributes to the Group. The New Scheme unless otherwise cancelled or amended, will remain in force for 10 years from 8 June 2016.

The general scheme limit has been refreshed and approved by shareholder's resolution at the Company's annual general meeting on 8 June 2018. The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of the said annual general meeting. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue on the date of the said annual general meeting. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. SHARE-BASED PAYMENTS (CONT'D)

(a) Equity-settled share option scheme (Cont'd)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding an independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
2018A	9 January 2018	9 January 2018 to 8 January 2019	9 January 2019 to 8 January 2028	2.14
2018B	9 January 2018	9 January 2018 to 8 January 2020	9 January 2020 to 8 January 2028	2.14
2020A	24 April 2020	24 April 2020 to 31 March 2021	1 April 2021 to 23 April 2026	0.48
2020B	24 April 2020	24 April 2020 to 31 March 2022	1 April 2022 to 23 April 2026	0.48
2021	10 June 2021	N/A	10 June 2021 to 9 June 2024	1.50
2023	9 November 2023	9 November 2023 to 8 November 2024	9 November 2024 to 8 November 2028	0.52

For share options granted in 2023, if the options remain unexercised after a period of 5 years from the date of grant, the options expire. For share options granted in 2021, if the options remain unexercised after a period of 3 years from the date of grant, the options expire. For other share options granted, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

42. SHARE-BASED PAYMENTS (CONT'D)

(a) Equity-settled share option scheme (Cont'd)

Details of the movement of the share options outstanding during the year are as follows:

	2024		2023	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	238,301,000	1.07	136,539,000	1.62
Granted during the year	–	–	119,200,000	0.52
Forfeited during the year	(87,212,000)	1.47	(17,438,000)	1.58
Outstanding at the end of the year	151,089,000	0.84	238,301,000	1.07
Exercisable at the end of the year	151,089,000	0.84	119,101,000	1.63

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.66 years (2023: 3.15 years) and the exercise price ranges from HK$0.48 to HK$2.14 (2023: HK$0.48 to HK$2.14).

In 2023, 119,200,000 options were granted on 9 November 2023. The estimated fair value of the options on grant date is approximately HK$27,818,000 (equivalent to RMB25,042,000). This estimated fair value was calculated using the Binomial Option-pricing model. The inputs into the model are as follows:

	2023
Number of share options granted	119,200,000
Grant date share price	HK$0.52
Expected volatility	61.01%
Expected life	5 years
Risk free ratio	3.73%
Expected dividend yield	1.39%

For the year ended 31 December 2024, the Group recognised share-based payments amounting to RMB21,837,000 (2023: RMB3,506,000) in profit or loss.

(b) Share award scheme

On 18 March 2024, the Company adopted a share award scheme (the "Scheme" or the "Share Award Scheme") in which the Group's directors and employees will be entitled to participate.

The purpose of the Scheme are to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group, attract suitable personnel for further development of the Group, better align the interests of the officers and employees, and of the shareholders and effectively motivate the management team and key employees of the Group, and thereby promoting the long-term development of the Group and maximising the interests of the shareholders.

The Scheme shall be subject to the administration of the board (the "Board") and the trustee in accordance with the scheme rules and the trust deed of the Scheme. Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on its adoption date (i.e. 18 March 2024).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. SHARE-BASED PAYMENTS (CONT'D)

(b) Share award scheme (Cont'd)

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the trust fund of the Scheme for each calendar year for the purpose of the Scheme shall not exceed 20% of the total number of issued shares as at the adoption date. The directors of the Company shall not instruct the trustee to subscribe and/or purchase any shares for the purpose of the Scheme when such subscription and/or purchase will result in the said limit being exceeded.

During the year ended 31 December 2024, a sum of approximately HK$158,560,000 (equivalent to approximately RMB144,734,000) has been used to acquire 228,750,000 shares from the open market by the trustee of the Scheme.

The Board has full discretion to determine the amount of the share award to be vested to selected directors and employees at the end of a performance period in accordance with the performance criteria approved by the Board.

The Company granted 164,000,000 shares to selected directors and employees on 21 May 2024 and 23 September 2024 respectively, which will be vested immediately at the grant date. The fair value of the granted shares is calculated based on the closing market price of the shares of HK$0.75 and HK$0.55 on the day of the grant, and amounted to HK$49,500,000 (equivalent to approximately RMB45,184,000) for the shares granted on 21 May 2024 and HK$53,900,000 (equivalent to approximately RMB49,200,000) for the shares granted on 23 September 2024, respectively. The Group recognised a share award scheme expense of HK$103,400,000 (equivalent to approximately RMB94,384,000) during the year ended 31 December 2024.

During the year ended 31 December 2024, a total of 164,000,000 awarded shares were vested. The cost of the related vested shares were HK$108,075,000 (equivalent to approximately RMB98,651,000). The fair value of the related vested shares were HK$49,500,000 (equivalent to approximately RMB45,234,000) for the shares vested on 21 May 2024 and HK$53,900,000 (equivalent to approximately RMB49,255,000) for the shares vested on 23 September 2024. The difference of the share price between the acquisition date and grant date amounted to HK$4,675,000 (equivalent to approximately RMB4,162,000) was credited to share premium. As at 31 December 2024, the carrying amount of shares held for share award scheme was HK$50,485,000 (equivalent to approximately RMB46,083,000).

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		**54**	135
Right-of-use assets		**54**	682
Investments in subsidiaries		**596,605**	583,848
		596,713	584,665
Current assets			
Prepayments, deposits and other receivables		**13,509**	12,523
Financial assets at fair value through profit or loss		**–**	58,283
Due from subsidiaries		**808,625**	840,372
Due from directors		**926**	11,913
Bank and cash balances		**17,811**	90,185
		840,871	1,013,276
Current liabilities			
Accruals and other payables		**1,866**	1,842
Due to subsidiaries		**128,310**	157,141
Lease liabilities		**91**	731
		130,267	159,714
Net current assets		**710,604**	853,562
Total assets less current liabilities		**1,307,317**	1,438,227
Non-current liabilities			
Lease liabilities		**–**	61
Net assets		**1,307,317**	1,438,166
Capital and reserves			
Share capital		**19,145**	17,783
Reserves	*43(b)*	**1,288,172**	1,420,383
Total		**1,307,317**	1,438,166

The Company's statement of financial position was approved by the Board of Directors on 26 March 2025 and signed on its behalf by:

Wang Lishan
Chairman

Tang Hui
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

44. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account RMB'000	Shares held under share award scheme RMB'000	Convertible loan notes equity reserve RMB'000	Foreign currency translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	1,379,936	–	2,951	(10,097)	69,291	(27,430)	1,414,651
Share-based payments	–	–	–	–	3,506	–	3,506
Share options forfeited	–	–	–	–	(9,621)	9,621	–
Total comprehensive income for the year	–	–	–	20,587	–	(18,361)	2,226
At 31 December 2023 and 1 January 2024	1,379,936	–	2,951	10,490	63,176	(36,170)	1,420,383
Issue of shares under placing	54,996	–	–	–	–	–	54,996
Shares repurchased	–	(144,734)	–	–	–	–	(144,734)
Dividend paid	(54,882)	–	–	–	–	–	(54,882)
Share-based payments	(4,162)	98,651	–	–	21,837	–	116,326
Share options forfeited	–	–	–	–	(36,065)	36,065	–
Total comprehensive income for the year	–	–	–	28,577	–	(132,494)	(103,917)
At 31 December 2024	1,375,888	(46,083)	2,951	39,067	48,948	(132,599)	1,288,172

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees and a consultant of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4.24 to the consolidated financial statements.

(iii) Special reserve

The special reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation as set out in the prospectus of the Company dated 11 September 2006.

(iv) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

44. RESERVES (CONT'D)

(c) Nature and purpose of reserves (Cont'd)

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.4(iii) to the consolidated financial statements.

(vi) Convertible loan notes equity reserve

The convertible loan notes equity reserve represents the value of the unexercised equity component of convertible notes issued by the Company and was recognised from the difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component.

(vii) Shares held under share award scheme

During the year ended 31 December 2024, the Company repurchased 228,750,000 of its own ordinary shares for the share award scheme from the market, out of which, 64,750,000 ordinary shares had not been transferred as at 31 December 2024. The shares were repurchased at prices ranging from HK$0.51 to HK$0.95 per share, with an average price of HK$0.69 per share.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to right-of-use assets during the year of RMB5,655,000 (2023: RMB1,564,000) were financed by leases liabilities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2024 RMB'000	Addition	Lease modification RMB'000	Termination of lease RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2024 RMB'000
Lease liabilities *(note 35)*	23,825	5,655	(314)	(921)	(8,841)	1,074	8	20,486
Bank borrowings *(note 37)*	309,300	–	–	–	(231,392)	7,592	–	85,500
Other borrowings	–	958	–	–	–	–	–	958

	1 January 2023 RMB'000	Addition	Lease modification RMB'000	Termination of lease RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2023 RMB'000
Lease liabilities *(note 35)*	30,957	1,564	–	(539)	(9,537)	1,364	16	23,825
Bank borrowings *(note 37)*	464,800	30,500	–	–	(204,601)	18,601	–	309,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**4,200**	4,090
Within financing cash flows	**7,767**	8,173
	11,967	12,263

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rental paid	**11,967**	12,263

46. CONTINGENT LIABILITIES

The Group is a defendant in a lawsuit brought during the year ended 2018 claiming approximately RMB8.2 million together with interest relating to subcontracting services rendered by a subcontractor (the "Plaintiff"). The Group has filed a counterclaim against the Plaintiff for approximately RMB3.7 million. The lawsuit had been completed up to the date of this report.

The Group lost the lawsuit and the final outcome of the proceedings was confirmed on 23 December 2024. The Group recognised the final claims amounted to RMB3,245,000. The amount was included in trade payables.

Save as disclosed above, as at 31 December 2024 and 2023, the Group did not have other significant contingent liabilities.

47. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	**3,967**	3,333

48. OPERATING LEASE ARRANGEMENTS

The Group regularly entered into short-term leases for office equipment and certain staff quarters. As at 31 December 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

49. RELATED PARTY TRANSACTIONS

(a) Transaction

In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Notes	**2024** **RMB'000**	2023 RMB'000
Payment on lease liabilities to a related company	*(a)*	**1,940**	1,882
Income from a related company controlled by the substantial shareholder	*(b)*	**11,800**	94

Notes:

(a) *The related company is a wholly-owned subsidiary of Mr. Wang Lishan, an executive director and chairman of the Company.*

(b) *The related company is a wholly-owned subsidiary controlled by the substantial shareholder of the Company. The amount also constituted continuing connected transaction of the Group for the years ended 31 December 2024 and 2023.*

(b) Balance

In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following balance with its related parties at the end of reporting period:

	2024 **RMB'000**	2023 RMB'000
Contract assets from a major shareholder	**16,543**	16,461
Contract liabilities due to a subsidiary of a major shareholder	**–**	2,473
Trade and bills receivables due from a subsidiary of a major shareholder	**1,266**	–
Other receivables due from a subsidiary of a major shareholder	**250**	250

50. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2025.

FINANCIAL SUMMARY

(All amounts in RMB'000 unless otherwise stated)

SUMMARY OF FINANCIAL DATA ANNOUNCED IN PREVIOUS FIVE YEARS

Income statement

	For the year ended 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Turnover	3,647,183	3,981,612	1,750,927	2,591,773	**2,079,022**
Profit for the year attributable to owners of the Company	146,712	11,024	(208,234)	254,989	**185,066**

Assets and liabilities

	As at 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Total assets	4,605,185	3,873,970	3,179,462	4,084,999	**3,127,116**
Total liabilities	(2,355,840)	(2,068,503)	(1,432,215)	(2,073,260)	**(951,715)**
Total equity	2,249,345	1,805,467	1,747,247	2,011,739	**2,175,401**

Liquidity and gearing ratio

	As at 31 December				
	2020	2021	2022	2023	**2024**
Current Ratio(1)	1.60	1.19	1.49	1.53	**2.05**
Quick Ratio(2)	1.53	1.09	1.38	1.47	**1.94**
Gearing Ratio(3)	25.55%	29.58%	28.37%	16.56%	**4.87%**

Notes:

(1) Current ratio is calculated as current assets divided by current liability.

(2) Quick ratio is calculated as current assets less inventories divided by current liability.

(3) Gearing ratio is calculated as total borrowing and lease liabilities divided by total equity and multiplied by 100%. Gearing ratio as at 31 December 2024 decreased compared to that as at 31 December 2023, which was mainly due to the increase of total equity caused by the profit in year 2024 and the decrease of bank borrowings and lease liabilities.

(4) The current ratio and quick ratio increased as of 31 December 2024 compared to 31 December 2023, primarily due to a greater decrease in current liabilities than that of current assets.