JUTAL

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)

Stock Code: 03303

ANNUAL REPORT 2023

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 (CEO and President)
Mr. Liu Yunian (resigned on 12 January 2024)
Mr. Zhao Wuhui (appointed on 12 January 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. Tam Kin Yip
Mr. Cheung Ngar Tat Eddie
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
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. Cao Yunsheng
Ms. Leung Fung Yee Alice

COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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KY1-1111, Cayman Islands

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HEADQUARTER IN THE PRC

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As to Cayman Islands law:

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Cricket Square, Hutchins Drive
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KY1-1111, 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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17/F, Far East Finance Centre
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Hong Kong

INVESTOR ENQUIRY

Investor Relations

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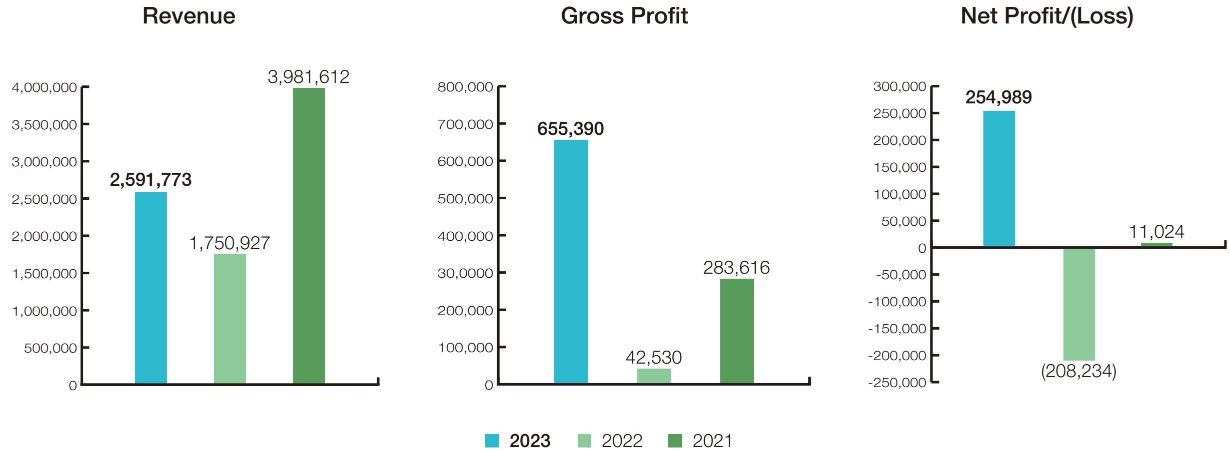
FINANCIAL HIGHLIGHTS

1. RESULTS (RMB'000)



2. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share were RMB12.87 cents and RMB12.87 cents respectively in 2023.

3. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

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 2023 to the shareholders.

BUSINESS REVIEW

Looking back on 2023, geopolitical conflicts further occurred while the social and economic situations were still unstable, affecting global trade and industrial chain security, and increasing uncertainty in the global economy. The international energy market remained tense and volatile, and fossil fuel prices were extremely sensitive to geopolitical risks, extreme weather, emergencies, etc. Countries around the world have been trying to find a balance between energy security and energy transformation.

In the face of complex international situations and market information, the Group has maintained close attention and tracking, promptly followed up and understood the macro situation, assessed operational risks, kept abreast of industry opportunities, and strengthened market development, while improving operation and management to reduce costs and increase efficiency. During the reporting year, the Group achieved new breakthroughs in the market, strengthened the operation and management of various projects, and achieved satisfactory operating performance.

The Group's main business is to provide equipment construction and engineering services to international energy and refining and chemical industries. The Penglai site of the Group operated a total of 15 projects in 2023. During the construction process of several important projects, project personnel overcame various adverse effects such as customer design modifications and delays, late arrival of materials, and harsh winter construction environment, and successfully completed the construction work of all projects, created a new module construction delivery record, received recognition and high praise from important customers, demonstrated excellent project management and construction and production organization capabilities, and also laid a solid foundation for obtaining orders for subsequent projects.

CHAIRMAN'S STATEMENT

While ensuring on-time delivery of projects, projects under construction have also achieved further improvements in project safety, quality and production efficiency. The Group has continued to strengthen health, safety and environmental protection trainings and on-site inspections, and conducted high-risk management and control and emergency drills. Although the Penglai site had more than 7,000 people present at its peak, it still achieved 11.14 million safe working hours throughout the year. The number of lost work events, work restriction events and lost working days continued to remain zero, and the frequency and severity of accidents were both zero.

In order to improve and speed up business connection and control, break down data barriers, and achieve transparent sharing of information, the Group has started to build an "integrated management and control platform" at its main construction sites and established a company-level large-scale production database.

The Group has encouraged and promoted technological and process innovation, and has achieved breakthroughs by achieving independent design, certification and supply of key components, which has bought more time and reduced risks for project construction. Improvements have also been achieved in aspects such as design management, laying the foundation for future large-scale module structure design calculations. During the year, the Group also completed the research and development and acceptance of some key application technologies, applied for a number of provincial and municipal technological innovation projects, and implemented other innovative research and achieved preliminary results.

In order to keep up with the development trends of various projects in the future, seize market development opportunities, and solve the serious shortage of final assembly area at the Penglai construction site, the Group has started renovation of the Penglai West factory area and added construction equipment during the year, so as to increase module assembly area and further enhance the construction capacity of the site.

In accordance with the overall business development strategic plan, the Group has established a detailed design department in the second half of 2023 to establish a full-professional design 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 continued to carry out cost reduction and efficiency improvement work, increased the number of supplier tenders, expanded procurement channels and sources, reduced procurement costs through various measures, localization and brand substitution, and strengthened the management of suppliers and subcontracting. In addition, the Group has actively promoted talent skills training and strengthened assessment and incentives to improve efficiency and effectiveness.

PROSPECTS

With the intensification of the interest game and the impact of geopolitical turbulence, it is expected that the global economy will be more vulnerable to the impact of uncertain events in the next year.

The Group also constantly pays attention to the development of the macro situation and various policies and laws, assesses the risks and impacts they may have on the Group's operations, and actively takes measures to respond. There are still certain uncertainties in the market, and some of the projects being tracked may be delayed, which may have a certain impact on the workload in the first half of 2024. The Group will continue to increase market development, track traditional construction projects, develop in-depth cooperation with customers and partners, deepen cooperation areas, and maintain construction advantages. For new energy markets with huge potential, such as offshore wind power, the Group will keep a close eye, keep up with industry developments, and actively strive for new energy construction projects.

The Group will actively promote and develop business transformation and upgrading, and expand through cooperation, acquisitions and other means as necessary. The Group will also strengthen scientific and technological innovation and process research and development, focusing on the substitution of localized materials and equipment, patented product research and development, major scientific research project applications and process innovation, promote the upgrading and application of digital systems and intelligent equipment, and achieve operational efficiency improvements across the entire value chain. At the same time, it will continue to promote the upgrading and renovation of production sites and enhance construction capabilities. In terms of cost reduction and efficiency improvement, it will strengthen cost composition analysis of all aspects of production with a view to further improving efficiency and effectiveness.

In the new year, the Group will continue to further promote the caring culture and expand the team of caring leaders. It will continue to spread the culture of care through various means such as media publicity and activities organization, adopt various approaches to mobilize lower-level management to consciously and proactively participate in daily safety management, resolve safety risks, and maintain stable and safe production.

The Group will continue to adjust and deepen reform, build a talent development platform, reflect the rewards of talent contribution value, promote the management to update their concepts, increase learning, strengthen awareness, broaden their horizons, continuously improve, enhance capabilities, establish a sense of responsibility and mission, and seize historical opportunities to realize future business transformation and upgrading for long-term development.

By Order of the Board
WANG Lishan
Chairman

Hong Kong, 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Revenue

As compared with last year, the workload of the Group's construction sites increased significantly. In year 2023, the Group recorded a revenue of approximately RMB2,591,773,000 representing an increase of 48.02% or RMB840,846,000 as compared with year 2022. Among them, revenue from the fabrication of facilities and provision of integrated services for oil and natural gas industries increased by 51.44% or RMB807,596,000 as compared with that of year 2022. Revenue from the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries increased by 21.40% or RMB35,774,000 as compared with that of year 2022. Other businesses were mainly the provision of diving-related technical services and provision of technical support services for shipbuilding industry. The revenue from such business decreased by 18.11% or RMB2,524,000 as compared with that of year 2022.

The table below sets out the analysis of revenue by business segments for the years 2023, 2022 and 2021 respectively:

Business Segments	For the financial year ended 31 December					
	2023		2022		2021	
		Percentage to total revenue		Percentage to total revenue		Percentage to total revenue
	RMB'000	%	RMB'000	%	RMB'000	%
1 Fabrication of facilities and provision of integrated services for oil and gas industries	2,377,445	91	1,569,849	90	2,922,044	73
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	202,916	8	167,142	9	1,038,885	26
3 Others	11,412	1	13,936	1	20,683	1
Total	2,591,773	100	1,750,927	100	3,981,612	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB1,936,383,000 in year 2023, representing an increase of approximately 13.35% or approximately RMB227,986,000 as compared with RMB1,708,397,000 in year 2022. Cost of sales and services comprised direct costs and manufacturing overheads. Direct costs in the current year amounted to approximately RMB1,712,821,000, representing approximately 88.45% of the total cost of sales and services, and an increase of approximately RMB294,483,000 or approximately 20.76% from RMB1,418,338,000 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 RMB66,497,000 or 22.93% from RMB290,059,000 of the corresponding period of last year to approximately RMB223,562,000 in current reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

The total gross profit of the Group for the year 2023 amounted to approximately RMB655,390,000, representing an increase of approximately 1,441% or approximately RMB612,860,000 as compared with RMB42,530,000 in year 2022. The overall gross profit margin rose to approximately 25.29% from 2.43% 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 6.55% in year 2022 to approximately 22.39%. The gross profit margin of the fabrication of facilities and provision of integrated services for new energy and refining and chemical industries rose from (36.43%) in year 2022 to approximately 60.43%. The gross profit margin of other businesses dropped from 4.02% in year 2022 to approximately 3.93%. Changes in business structure resulted in various changes in the gross profit margin of different business segments during the current period. The increase in overall gross profit margin was mainly due to the Company's strict management measures in production and operations, the implementation of staff reduction and efficiency improvement, and cost reduction. The work efficiency of several projects has been significantly improved, thereby increasing the overall gross profit margin.

The following shows the breakdown of gross profit/(loss) by business segments for the years 2023, 2022 and 2021 respectively:

	For the financial year ended 31 December								
Business Segments	2023			2022			2021		
	RMB'000	Gross profit margin %	Percentage to total gross profit %	RMB'000	Gross profit/(loss) margin %	Percentage to total gross profit %	RMB'000	Gross profit/(loss) margin %	Percentage to total gross profit %
1 Fabrication of facilities and provision of integrated services for oil and gas industries	532,312	22	81	102,857	7	242	420,234	14	148
2 Fabrication of facilities and provision of integrated services for new energy and refining and chemical industries	122,629	60	19	(60,886)	(36)	(143)	(137,074)	(13)	(48)
3 Others	449	4	–	559	4	1	456	2	–
Total	655,390		100	42,530		100	283,616		100

Other income

Other income of the Group in year 2023 amounted to approximately RMB30,374,000, mainly comprising interest income and income from government grants.

Administrative and other operating expenses

Administrative and other operating expenses in aggregate decreased by approximately 0.91% or approximately RMB2,479,000 as compared with that of year 2022 to approximately RMB270,744,000. Among them, the administrative expenses increased by approximately RMB29,905,000 as compared with that of year 2022, mainly due to the fact that the employee compensation increased in year 2023; Other operating expenses decreased by approximately RMB32,384,000 as compared with that in 2022, mainly due to the decrease in impairment loss of assets recognized in year 2023.

Finance costs

Finance costs in aggregate amounted to approximately RMB20,396,000 in year 2023, which was mainly comprised of interests on bank borrowings of approximately RMB18,601,000 and bank charges and other finance costs of approximately RMB1,795,000.

Profit attributable to owners of the Company and profit per share

In summary, in year 2023, profit attributable to owners of the Company amounted to approximately RMB254,989,000 (2022: loss of approximately RMB208,234,000). Basic and diluted earnings per share attributable to owners of the Company for year 2023 were approximately RMB12.87 cents.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the working funds (cash and cash equivalent) of the Group amounted to approximately RMB752,805,000 (2022: RMB610,477,000). During the year, net cash inflow from operating activities amounted to approximately RMB287,139,000, net cash inflow from investing activities amounted to approximately RMB12,282,000, and net cash outflow from financing activities amounted to approximately RMB163,673,000.

As at 31 December 2023, the Group had approximately RMB104,290,000 (2022: RMB385,140,000) of available undrawn banking facilities. Available undrawn banking facilities include bank borrowings, letters of credit, etc. but exclude bank guarantees.

As at 31 December 2023, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB299,066,000 (2022: RMB419,276,000).

MANAGEMENT DISCUSSION AND ANALYSIS

3. CAPITAL STRUCTURE

As of 31 December 2023, the share capital of the Company comprises 1,981,598,389 ordinary shares (2022: 1,981,598,389 ordinary shares). As at 31 December 2023, net assets of the Group amounted to approximately RMB2,011,739,000 (2022: RMB1,747,247,000), comprising non-current assets of approximately RMB1,363,355,000 (2022: RMB1,557,904,000), net current assets of approximately RMB940,405,000 (2022: RMB531,604,000) and non-current liabilities of approximately RMB292,021,000 (2022: RMB342,261,000).

4. SIGNIFICANT INVESTMENT

During the year, based on market conditions and future development plans, in order to further improve the equipment and facilities at the Penglai site and meet the needs of existing and potential projects, the Group began to renovate the Penglai West factory area with an estimated expenditure of approximately RMB200 million.

Except as mentioned above, during the year ended 31 December 2023, 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 2023, approximately RMB51,069,000 (2022: RMB97,799,000) 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.

7. CONTINGENT LIABILITIES

As at 31 December 2023, 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 2023 and at 31 December 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Bank borrowings	309,300	464,800
Lease liabilities	23,825	30,957
Total equity	2,011,739	1,747,247
Gearing ratio	16.56%	28.37%

The decrease in gearing ratio for the period resulted mainly from the increase in total equity caused by profit incurred in year 2023 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 2023, the Group had total 2,281 employees (31 December 2022: 2,739 employees), of which 1,026 (31 December 2022: 1,204) were management and technical staff, and 1,255 (31 December 2022: 1,535) 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 64, 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. Cao Yunsheng (曹云生), aged 60, is an executive director and CEO of the Company. He was graduated from Tianjin College of Finance and Economics (天津財經學院) in 1988, majoring in accounting, and was graduated with a master degree in business administration from Tianjin University (天津大學) in 2004. Mr. Cao joined the Group in 2001 and had served as the deputy general manager and CEO, and had been an executive director of the Company from 24 November 2005 to 10 April 2020. Prior to joining the Group, he was the supervisor of the finance department and chief accountant of Bohai Petroleum Company Platform Manufacturing Factory* (渤海石油公司平台製造廠), the chief accountant of China Offshore Oil Platform Construction Company* (中國海洋石油平台製造公司) and a financial controller of Offshore Oil Engineering Co., Ltd.* (海洋石油工程股份有限公司). Mr. Cao currently also serves as director of a number of subsidiaries of the Group. He was appointed as an executive director of the Company in January 2021.

Mr. Liu Yunian (劉玉年), aged 61. Mr. Liu was graduated from Tianjin University (天津大學) in 1983 with a bachelor's degree in offshore engineering. He joined the Group in 2001, and has served as the operation manager, the deputy general manager, general manager and director of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd.* (蓬萊巨濤海洋工程重工有公司) ("Penglai Jutal"). Prior to joining the Group, Mr. Liu had served in CNOOC platform Fabrication Co.* (中海油平台製造公司), Shenzhen Chiwan Offshore Engineering Co., Ltd.* (深圳赤灣海洋工程有限公司). Mr. Liu was appointed as an executive director of the Company in June 2018 and resigned on 12 January 2024.

Mr. Zhao Wuhui (趙武會), aged 49, is the vice president of the Company. Mr. Zhao graduated from Northeast Forestry University (東北林業大學) with a bachelor's degree in accounting in 1998, and obtained a MBA degree from the University of Wales in 2009. He joined the Group in March 2002, had served as finance manager and vice president of the Group, and had been an executive director of the Company from 25 May 2012 to 1 March 2016. Mr. Zhao currently also serves as director or supervisor of several subsidiaries of the Group. Prior to joining the Group, he had worked with Kerry Oils & Grains (China) Co., Ltd.* (嘉里糧油（中國）有限公司) and Everbright Timber Industry (Shenzhen) Co., Ltd.* (光大木材工業（深圳）有限公司) as accountant and auditor. Mr. Zhao was appointed as an executive director of the Company in January 2024.

Non-executive Directors

Mr. Han Guimao (韓桂茂), aged 73, senior engineer. Mr. Han graduated from Tsinghua University (清華大學) with a major in architecture in 1976 and has rich experience in engineering and management. From 1992 to 1994, he had been executive deputy general manager of Shenzhen Nanshan Central District Development Company* (深圳南山中心區開發公司). From 1994 to 2013, he served as deputy general manager of China Nanshan Development (Group) Co., Ltd.* (中國南山開發（集團）股份有限公司), chairman of Yahgee Modular House Co., Ltd.* (雅致集成房屋股份有限公司) (currently known as Shenzhen New Nanshan Holding (Group) Co., Ltd.* (深圳市新南山控股（集團）股份有限公司)) (Shenzhen Stock Exchange code: 002314), chairman of Shenzhen Chiwan Petroleum Base Co., Ltd. (深圳赤灣石油基地股份有限公司), vice chairman of Shenzhen Chiwan Sambawang Engineering Co., Ltd.* (深圳赤灣勝寶旺工程有限公司), chairman of Shanghai Songwei Steel Structure Co., Ltd.* (上海松尾鋼結構有限公司). From 2004 to 2013, he served as a director of Penglai Jutal. From 2013 to 2017, he served as chairman of Shenzhen Gangchuang Building Materials Co., Ltd.* (深圳港創建材股份有限公司), and since 2020, Mr. Han has been the chairman of Shenzhen Jingwei Jiexun Information Technology Co., Ltd.* (深圳經緯捷訊信息技術有限公司). Since October 2018, Mr. Han has been appointed as a consultant of the Company and will continue to act a consultant of the Company. Mr. Han was appointed as a non-executive director of the Company in April 2022 and resigned on 12 January 2024.

Independent non-executive Directors

Ms. Choy So Yuk (蔡素玉), *B.B.S., J.P.*, aged 73, 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 53, 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.

Mr. Tam Kin Yip (譚健業), aged 49, 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 61, is an independent non-executive director of the Company. Mr Zhang is a professor in the Department of Finance and the Director of M.Sc. Program in Finance (Part-time) 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 had served as an independent non-executive director of Momentum Financial Holdings Limited (正乾金融控股有限公司) (Hong Kong Stock Code: 1152) from September 2017 to June 2020, and 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.

DIRECTORS AND SENIOR MANAGEMENT

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. Tang Hui (唐暉), aged 51, is the vice 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 assistant 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. 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).

* *For identification purposes only*

DIRECTORS' REPORT

The directors of the Company (the "Directors") present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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 23 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".

DIRECTORS' REPORT

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", so as 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.

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 27 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 2023, the Company's share premium reserve of approximately RMB1,379,936,000 (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 losses of approximately RMB36,170,000.

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.

DIRECTORS' REPORT

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 2023 are set out in the consolidated statement of profit or loss on page 49.

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

DONATIONS

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

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

In 2023, the authorised share capital of the Company is HK$40,000,000 (comprising 4,000,000,000 ordinary shares).

As at 31 December 2023, the share capital of the Company comprised of 1,981,598,389 ordinary shares (2022: 1,981,598,389 ordinary shares).

Details of the movements of the Company's share capital during the year are set out in note 40 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 2023 or subsisted at the end of 2023.

PURCHASE SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2023, 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 2023	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	Approximately HK$3 million was used during the reporting year, which would result in the aggregate amount used for the capital expenditure in the production and office facilities of the Group's Zhuhai site became HK$197 million *(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 2024 to year 2025
(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 2023 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 2023, First Shanghai Securities Limited (the "Placing Agent") and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent 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 2023 (the "Placing Shares"), to not less than six placees (professional, institutional and other investor(s) procured by the Placing Agent who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons) at the placing price of HK$0.48 per Placing Share (the net placing price is approximately HK$0.46 per Placing Share, and the close price of the share on 7 September 2022 was HK$0.58) (the "Placing"). The Placing has completed on 22 September 2022.

DIRECTORS' REPORT

The net proceeds from the Placing were approximately HK$138,866,500. As at 31 December 2023, 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 2023	Use of proceeds from the Placing as at 31 December 2023	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	Approximately HK$22 million was used during the reporting year	The remaining approximately HK$78 million will be used in year 2024
(2) Approximately HK$38,866,500 for the general working capital	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 130 of the annual report.

SHARE OPTION

The Company's 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 Company's existing share option scheme ("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. the remaining life of the Share Option Scheme is approximately 3 years as at the date of this report. 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 general scheme limit of the 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 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 annual report.

Where any grant of options or awards to a participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards 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, 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 or awards 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 and awards 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, such further grant of options or awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).

According to the terms of the 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 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.

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 at the time of exercise of an option.

DIRECTORS' REPORT

From 1 January 2018 to 31 December 2023, 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) Options granted on 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 2023	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 2023	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	0.12%
Cao Yunsheng	8,000,000	–	–	–	–	8,000,000	0.40%
Liu Yunian (resigned on 12 January 2024)	1,500,000	–	–	–	–	1,500,000	0.08%
Tang Hui (resigned on 10 April 2020)	1,500,000	–	–	–	–	1,500,000	0.08%
Other Employees	2,050,000	–	–	–	3,000,000	1,750,000	0.88%
Total	33,800,000	–	–	–	3,000,000	30,800,000	1.56%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2023.

(ii) Options granted on 24 April 2020

Vesting period	:	Subject to certain performance targets determined by the Board
Exercise period	:	1 April 2021 to 23 April 2023
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 2023	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 2023	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Directors:							
Cao Yunsheng	146,000	–	–	–	–	146,000	0.01%
Liu Yunian (resigned on 12 January 2024)	365,000	–	–	–	–	365,000	0.02%
Other Employees	4,228,000	–	–	–	438,000	3,790,000	0.18%
Total	4,739,000	–	–	–	438,000	4,301,000	0.22%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2023.

(iii) Options granted on 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 2023	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 2023	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Employees	98,000,000	–	–	–	14,000,000	84,000,000	4.24%
Total	98,000,000	–	–	–	14,000,000	84,000,000	4.24%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2023.

DIRECTORS' REPORT

(iv) Options granted on 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 granted on 9 November 2023	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 2023	Shareholding percentage of the underlying shares for the Options in the share capital of the Company *(Note)*
Directors:							
Cao Yunsheng	18,000,000	–	–	–	–	18,000,000	0.91%
Liu Yunian (resigned on 12 January 2024)	8,000,000	–	–	–	–	8,000,000	0.40%
Han Guimao (resigned on 12 January 2024)	1,800,000	–	–	–	–	1,800,000	0.09%
Choy Suk Yuk	1,800,000	–	–	–	–	1,800,000	0.09%
Cheung Ngar Tat Eddie	1,800,000	–	–	–	–	1,800,000	0.09%
Tam Kin Yip	1,800,000	–	–	–	–	1,800,000	0.09%
Other Employees	86,000,000	–	–	–	–	86,000,000	4.34%
Total	119,200,000	–	–	–	–	119,200,000	6.02%

Note: The percentage is calculated based on the total number of shares issued as at 31 December 2023.

The estimated fair value of the options on the date of grant 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 rate	3.73%
Expected dividend yield	1.39%

Expected volatility was determined by calculating the historical volatility of the Company's share price since its Initial Public Offerings to the valuation date. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The number of options available for grant under the Share Option Scheme at the 1 January 2023 and 31 December 2023 are 168,130,638 and 48,930,638 respectively.

The number of shares that may be issued in respect of option granted under all schemes of the Company during the year 2023	The weighted average number of shares in issue of the Company for the year 2023	Percentage
238,301,000	1,981,598,389	12.03%

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 retirement	Reason of retirement
Mr. Wang Lishan	24 November 2005	–	–
Mr. Cao Yunsheng	22 January 2021	–	–
Mr. Liu Yunian	8 June 2018	12 January 2024	To devote more effort into other personal affairs
Mr. Zhao Wuhui	12 January 2024	–	–

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	–	–

DIRECTORS' REPORT

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 employees who are eligible participants under the Share Option Scheme may be granted, at the discretion of the Board, the share option 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 48 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' 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 2023, 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 4)*
Wang Lishan	Interest of a controlled corporation *(Note 2)*	396,911,278 (L)	20.03%
	Beneficial owner	17,628,000 (L)	0.89%
	Share options	2,300,000 (L)	0.12%
Cao Yunsheng	Interest of a controlled corporation *(Note 3)*	8,000,000 (L)	0.40%
	Beneficial owner	20,360,000 (L)	1.03%
	Share options	26,146,000 (L)	1.32%
Liu Yunian	Beneficial owner	2,900,000 (L)	0.15%
	Share options	9,865,000 (L)	0.50%
Han Guimao	Interest of Spouse	4,188,000 (L)	0.21%
	Share options	1,800,000 (L)	0.09%
Choy So Yuk	Share options	1,800,000 (L)	0.09%
Cheung Ngar Tat Eddie	Share options	1,800,000 (L)	0.09%
Tam Kin Yip	Share options	1,800,000 (L)	0.09%

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) *These Shares are held by Sino Joint International Limited, which is wholly-owned by Mr. Cao Yunsheng.*

(4) *The percentage is calculated based on the total number of shares issued as at 31 December 2023.*

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.

DIRECTORS' REPORT

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

At 31 December 2023, 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)	32.38%
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)	32.38%
Cheung Hing Investments Limited	Beneficial owner *(Note 3)*	396,911,278 (L)	20.03%
Wang Lishan	Interest of a controlled corporation *(Note 3)* Beneficial owner Share Options	396,911,278 (L) 17,628,000 (L) 2,300,000 (L)	20.03% 0.89% 0.12%
Capital Pilot Limited	Person having a security interest in shares *(Note 4)*	161,995,555 (L)	8.17%
Shiu Shu Ming	Interest of a controlled corporation *(Note 4)*	161,995,555 (L)	8.17%
Hong Man Chu	Interest of spouse *(Note 5)*	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%
Lo Chun Yim	Interest of a controlled corporation *(Note 6)*	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%
Golden Talent (HK) Technology Co., Limited	Beneficial owner *(Note 6)*	161,995,555 (L) 161,995,555 (S)	8.17% 8.17%

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 2023.*

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 84.09% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 51.34% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 27.87% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 6.56% 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, 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 2023 set out in note 48 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.

DIRECTORS' REPORT

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 2023.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the year ended 31 December 2023. The Company has maintained liability insurance to provide appropriate cover for the Directors.

AUDITOR

RSM Hong Kong retired as the auditor of the Company upon expiration of its current term of office at the conclusion of the annual general meeting of the Company held on 28 June 2023 (the "2023 AGM").

Grant Thornton Hong Kong Limited was appointed as the new auditor of the Company upon approval by the Company's Shareholders at the 2023 AGM.

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 2024

CORPORATE GOVERNANCE REPORT

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") introduced in Appendix 14 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 set out in Appendix 14 of the Listing Rules for the year ended 31 December 2023, 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, the board member, with monthly internal financial statements, instead of all board members, because he is 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 2023 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 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 2023, Mr. Wang Lishan and Mr. Cao Yunsheng were the chairman and the CEO of the Company respectively and the roles of chairman and the CEO are segregated and not exercised by the same individual. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

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 and the CEO. 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.

CORPORATE GOVERNANCE REPORT

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.

THE DIRECTORS' ATTENDANCE AT THE MEETING

During the year 2023, the Board held 14 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 2023 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	14/14	–	–	1/1	1/1
Mr. Cao Yunsheng	14/14	–	2/2	–	1/1
Mr. Liu Yunian (resigned on 12 January 2024)	14/14	–	–	–	1/1
Mr. Han Guimao (resigned on 12 January 2024)	14/14	5/5	–	–	1/1
Mr. Tam Kin Yip	14/14	5/5	2/2	1/1	1/1
Ms. Choy So Yuk	12/14	5/5	2/2	1/1	1/1
Mr. Cheung Ngar Tat Eddie	14/14	5/5	2/2	1/1	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 the training on corporate management, and 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 2023, Ms. Leung attended relevant professional training for not less than 15 hours pursuant to Rule 3.29 of the Listing Rules.

Mr. Zhao Wuhui, the executive director and vice president of the Company, is the primary corporate contact person at the Company.

DIRECTORS'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 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.

CORPORATE GOVERNANCE REPORT

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.

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 42.

Grant Thornton Hong Kong Limited has been appointed as the Company's external auditor at the annual general meeting of 2023 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 2023 are as below:

	Fee paid/payable HK$
Audit services	1,550,000
Non-audit services (agreed upon procedures on interim financial information)	230,000

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION

Qualified Opinion

The auditor of the Company issued a qualified opinion in the independent auditor' s report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2023. In view of the qualified opinion, the Board would like to provide the following additional information.

The consolidated financial statements of the Group for the year ended 31 December 2022, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, were audited by the Company's predecessor auditor who expressed a qualified opinion on the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (the "Qualification").

The predecessor auditor expressed a qualified opinion because they were unable to obtain sufficient and appropriate audit evidence to support the recognition of the amounts of the provision for liquidated damages in the profit or loss for the years ended 31 December 2022 and 2021 and the carrying amount of the provision for liquidated damages recognised in the statement of financial position as at 31 December 2021. Details of the Qualification has been disclosed in the independent auditor's report for the 2022 annual report dated 31 March 2023.

The auditor's opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's and the corresponding figures of the profit or loss.

The Actual or Potential Impact on the Group's Financial Position

The financial impact of the provision for liquidated damages has been fully reflected in the financial statements for the years ended 31 December 2021 and 31 December 2022 and will no longer have an impact on the Group's financial position and results of operations for 2023 and beyond, nor will there be any potential impact.

Management's Position and Basis on Major Judgmental Areas, and how Management's View is Different from Auditor's View

The management believes that the Group had reached an agreement with the customer in August 2022, and the final amount and the financial impact have all been reflected in the financial statements as at and for the years ended 31 December 2021 and 2022. The auditor's opinion on the current year's consolidated financial statements is also modified only on the comparability of current year's and the corresponding figures of the profit or loss, because of the predecessor auditor's modified opinion on the figures of the profit or loss in the financial statements for the years ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

Audit Committee's View towards the Qualified Opinion

After discussion with the management and the auditor, the audit committee understood the judgment of the Company's management and agreed the audit committee understood the judgment of the Company's management and agreed with the basis and viewpoint of the auditor's qualified opinion. The Audit Committee is of the view that the financial impact of the provision for liquidated damages has been fully reflected in the financial statements for the years ended 31 December 2021 and 31 December 2022 and will no longer have an impact on the Group's financial position and results of operations for 2023 and beyond, nor will there be any potential impact.

Plans to Address the Qualified Opinion

The matter giving rise to the qualified opinion has been resolved, the relevant amounts and impact have been reflected in the Group's financial statements. The Group has discussed with the auditor and it is not expected that the matters giving rise to the qualified opinion will have a material impact on the financial statements for the coming year.

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 Mr. Han Guimao, the non-executive Director and three independent non-executive Directors, which are Mr. Cheung Ngar Tat Eddie, Ms. Choy So Yuk and Mr. Tam Kin Yip. 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, five 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, review the effectiveness of these systems and change of the external auditor. 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 2022. 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, the executive director and three independent non-executive Directors, which are Ms. Choy So Yuk, Mr. Cheung Nga Tat Eddie and Mr. Tam Kin Yip. 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 two 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 options:

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, one 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.

As at 31 December 2023, 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	1,928	84.52%	353	15.48%	2,281
include: senior management	3	100%	0	0%	3

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.

CORPORATE GOVERNANCE REPORT

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 paid up capital of the Company carrying the right of voting 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 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

On 28 June 2023, the shareholder of the Company approved the Amended and Restated Memorandum and Articles of Association of the Company ("Memorandum and Articles of Association") to, among other things, (i) be in alignment with the amendments of the Listing Rules and applicable laws of Cayman Islands; and (ii) make certain minor amendments to the Memorandum and Articles of Association to clarify the existing practice and to make consequential amendments. The latest version of the Company's 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)

QUALIFIED 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 49 to 129, which comprise the consolidated statement of financial position as at 31 December 2023, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 QUALIFIED OPINION

The consolidated financial statements of the Group for the year ended 31 December 2022, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, were audited by the Company's predecessor auditor who expressed a qualified opinion on the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (the "Qualification"). The predecessor auditor expressed a qualified opinion because they were unable to obtain sufficient and appropriate audit evidence to support the recognition of the amounts of the provision for liquidated damages in the profit or loss for the years ended 31 December 2022 and 2021 and the carrying amount of the provision for liquidated damages recognised in the consolidated statement of financial position as at 31 December 2021. Details of the Qualification has been disclosed in the independent auditor's report for the 2022 annual report dated 31 March 2023.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current and the corresponding figures of the profit or loss for the year.

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 qualified opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2023 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.

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. In addition to the matter described in the Basis for Qualified Opinion, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Goodwill impairment assessment

2. Recognition of revenue from construction contracts and other services contracts over time

3. Expected loss allowance on trade and bills receivables

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

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 note 4.2 and 5 respectively to the consolidated financial statements. Refer to note 21 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.

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 4.10 and 4.21 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 RMB2,363,091,000 and represents approximately 91% of the Group's turnover for the year ended 31 December 2023. 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.

INDEPENDENT AUDITOR'S REPORT

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 25 to the consolidated financial statements and the accounting policies on note 4.29 and note 5 to the consolidated financial statements. As at 31 December 2023, the Group recorded gross trade and bill receivables of RMB1,215,162,000 and loss allowance of RMB101,073,000, 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 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 receivables; – Tested the mathematical accuracy of the ECL model on trade 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.

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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

INDEPENDENT AUDITOR'S REPORT

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

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 2024

Lam Kam Fung
Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	*8*	2,591,773	1,750,927
Cost of sales and services		(1,936,383)	(1,708,397)
Gross profit		655,390	42,530
Other income	*9*	30,374	37,374
(Impairment losses on trade and bills receivables)/Reversals of impairment losses on trade and bills receivables		(6,122)	21,973
Reversal of impairment losses on other receivables		9	–
(Impairment losses on contract assets)/Reversals of impairment losses on contract assets		(2,935)	2,147
Administrative expenses		(197,932)	(168,027)
Other operating expenses	*11*	(72,812)	(105,196)
Profit/(Loss) from operations		405,972	(169,199)
Finance costs	*12*	(20,396)	(28,645)
Profit/(Loss) before tax		385,576	(197,844)
Income tax expense	*13*	(130,587)	(10,390)
Profit/(Loss) for the year	*14*	254,989	(208,234)
Attributable to:			
Owners of the Company		254,989	(208,234)
		RMB	RMB
Earnings/(Loss) per share	*18*		
Basic		12.87 cents	(11.80) cents
Diluted		12.87 cents	(11.80) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit/(Loss) for the year	254,989	(208,234)
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	5,997	27,450
Other comprehensive income for the year, net of tax	5,997	27,450
Total comprehensive income/(expense) for the year	260,986	(180,784)
Attributable to:		
Owners of the Company	260,986	(180,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*19*	917,719	1,036,027
Right-of-use assets	*20*	378,631	397,715
Goodwill	*21*	52,444	52,444
Intangible assets	*22*	5,487	9,118
Trade receivables, non-current	*25*	3,846	3,281
Deferred tax assets	*39*	5,228	59,319
		1,363,355	1,557,904
Current assets			
Inventories	*24*	110,569	122,152
Trade and bills receivables	*25*	1,119,485	264,023
Contract cost assets	*26*	1,298	10,091
Contract assets	*27*	504,704	365,608
Prepayments, deposits and other receivables	*28*	122,816	83,513
Derivative financial instruments	*29*	703	4,015
Current tax assets		–	6,426
Financial assets at fair value through profit or loss	*30*	58,283	57,454
Pledged bank deposits	*31*	51,069	97,799
Bank and cash balances	*31*	752,717	610,477
		2,721,644	1,621,558
Current liabilities			
Trade and bills payables	*32*	699,455	495,283
Contract liabilities	*27*	648,903	128,220
Accruals and other payables	*33*	113,742	100,510
Derivative financial instruments	*29*	7,886	13,801
Provisions	*35*	168,348	131,917
Bank borrowings	*36*	81,800	205,000
Deferred income	*38*	4,100	6,824
Lease liabilities	*34*	7,312	8,399
Current tax liabilities		49,693	–
		1,781,239	1,089,954
Net current assets		940,405	531,604
Total assets less current liabilities		2,303,760	2,089,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred income	38	11,987	14,464
Lease liabilities	34	16,513	22,558
Bank borrowings	36	227,500	259,800
Deferred tax liabilities	39	36,021	45,439
		292,021	342,261
Net assets		2,011,739	1,747,247
Capital and reserves			
Share capital	40	17,783	17,783
Reserves	43(a)	1,993,956	1,729,464
Total equity		2,011,739	1,747,247

Approved by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Cao Yunsheng
Director

Zhao Wuhui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital *(Note 40)* RMB'000	Share premium account *(Note 43(c)(i))* RMB'000	Special reserve *(Note 43(c)(iii))* RMB'000	Convertible loan notes equity reserve *(Note 43(c)(vi))* RMB'000	Foreign currency translation reserve *(Note 43(c)(v))* RMB'000	Share-based payment reserve *(Note 43(c)(ii))* RMB'000	Statutory reserves *(Note 43(c)(iv))* RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	15,150	1,259,939	(52,040)	2,951	(85,770)	77,888	40,275	547,074	1,805,467
Loss for the year	–	–	–	–	–	–	–	(208,234)	(208,234)
Other comprehensive income for the year:									
Exchange differences on translating foreign operations	–	–	–	–	27,450	–	–	–	27,450
Total comprehensive income/(expense) for the year	–	–	–	–	27,450	–	–	(208,234)	(180,784)
Issue of shares on subscription	2,630	119,815	–	–	–	–	–	–	122,445
Issue of shares on exercise of share options	3	182	–	–	–	(66)	–	–	119
Share options forfeited	–	–	–	–	–	(8,531)	–	8,531	–
Changes in equity for the year	2,633	119,997	–	–	27,450	(8,597)	–	(199,703)	(58,220)
At 31 December 2022 and 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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
Profit/(Loss) before tax	385,576	(197,844)
Adjustments for:		
Finance costs	20,396	28,645
Equity settled share-based payments	3,506	–
Interest income	(13,409)	(4,719)
Depreciation of property, plant and equipment	115,417	133,390
Depreciation of right-of-use assets	20,150	21,466
Amortisation of intangible assets	1,716	1,928
Net losses on disposals of property, plant and equipment	269	368
Gain on lease modification	–	(971)
Gain on early termination of lease contracts	(25)	–
Provision for allowances for inventories	26,488	17,105
Impairment losses/(Reversal of impairment losses) on trade and bills receivables, net	6,122	(21,973)
Reversal of impairment losses on other receivables	(9)	–
Impairment losses/(Reversal of impairment losses) on contract assets	2,935	(2,147)
Impairment losses on contract cost assets	–	5,072
Impairment losses on property, plant and equipment	5,365	55,962
Impairment losses on intangible assets	1,915	–
Provisions/(Reversal of provisions) of warranty, net	108,663	(19,840)
Reversal of provisions of onerous contracts	(72,232)	(5,882)
Fair value changes on derivative financial instruments	27,112	26,105
Fair value changes on financial assets at fair value through profit or loss	–	(290)
Government grants income	(9,385)	(10,761)
Exchange difference	(1,424)	–
Operating profit before working capital changes	629,146	25,614
(Increase)/Decrease in inventories	(14,905)	35,688
(Increase)/Decrease in trade and bills receivables	(862,149)	183,681
Decrease/(Increase) in contract cost assets	8,793	(8,027)
(Increase)/Decrease in contract assets	(142,031)	124,755
(Increase)/Decrease in prepayments, deposits and other receivables	(39,294)	142,105
Provision used	–	(58)
Increase/(Decrease) in trade and bills payables	204,172	(611,587)
Increase in contract liabilities	520,683	41,543
Increase/(Decrease) in accruals and other payables	32,915	(10,623)
Cash generated from/(used in) operations	337,330	(76,909)
Income taxes paid	(29,795)	(19,808)
Interest paid	(18,601)	(25,082)
Interest on lease liabilities	(1,364)	(1,552)
Other finance costs	(431)	(2,011)
Net cash generated from/(used in) operating activities	287,139	(125,362)

	Note	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Interest received		13,409	4,719
Purchase of financial assets at fair value through profit or loss		–	(56,401)
Purchases of property, plant and equipment		(25,571)	(46,551)
Proceeds from disposals of property, plant and equipment		3,157	218
Decrease in pledged bank deposits		46,818	32,306
Government grants received		4,184	3,936
Net receipt from settlement of derivative financial instruments		(29,715)	8,529
Net cash generated from/(used in) investing activities		12,282	(53,244)
Cash flows from financing activities			
Bank borrowings raised	*44(b)*	30,500	295,500
Repayment of bank and other borrowings	*44(b)*	(186,000)	(312,900)
Proceeds from placement of shares		–	122,445
Proceeds from issue of shares on exercise of share options		–	119
Principal elements of lease payment	*44(b)/(c)*	(8,173)	(9,677)
Net cash (used in)/generated from financing activities		(163,673)	95,487
Net increase/(decrease) in cash and cash equivalents		135,748	(83,119)
Effect of foreign exchange rate changes		6,580	26,626
Cash and cash equivalents at 1 January		610,477	666,970
Cash and cash equivalents at 31 December		752,805	610,477
Analysis of cash and cash equivalents			
Bank and cash balances		752,717	610,477
Pledged bank deposits		88	–
		752,805	610,477

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

	2023 RMB'000	2022 RMB'000
Pledged bank deposits (mature in three months or less)	88	–
Pledged bank deposits (mature after three months)	50,981	97,799
	51,069	97,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 23 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 ("HKFRS"); 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 New and Amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and 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 2023:

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

Except for those mentioned below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

3.1 New and Amended HKFRSs that are effective for annual periods beginning on 1 January 2023 (Cont'd)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments. The key impact of the Group relates to disclosure of components of deferred tax assets and liabilities in note 39 of the consolidated financial statements.

Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments provide mandatory temporary relief from accounting for deferred tax arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules (i.e. global minimum tax rules designed to ensure that large multinational business pay a minimum effective rate of tax of 15% on profits in all countries) ("Pillar Two Model Rules"). Entities shall apply this temporary exception immediately and retrospectively upon issuance of the amendments and disclose the fact of the application.

Besides, the amendments also introduce additional disclosure requirements to help users of financial statements to understand an entity's exposure to income taxes arising from the Pillar Two Model Rules. These disclosures are required in periods in which the legislation for Pillar Two Model Rules is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The amendments have no impact on the consolidated financial statements because the Group does not fall into the scope of the Pillar Two Model Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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
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 HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of exchangeability	1 January 2025

The directors of the Company anticipate that the application of new and amendments to HKFRSs are not expected to have a material impact on the consolidated results and the consolidated financial position of the Group.

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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (Cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.2 Business combination and goodwill (Cont'd)

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.

4.3 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.3 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.

4.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment (Cont'd)

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.

4.5 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.

4.6 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.6 Leases (Cont'd)

The Group as lessee (Cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.6 Leases (Cont'd)

The Group as lessee (Cont'd)

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.

4.7 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.

4.8 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.8 Other contract costs (Cont'd)

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.

4.9 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 4.29 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.

4.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.10 Construction contracts (Cont'd)

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.

4.11 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.11 Recognition and derecognition of financial instruments (Cont'd)

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.

4.12 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.13 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.

4.14 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.

4.15 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.

4.16 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. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.17 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.

4.18 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.

4.19 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.

4.20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.21 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 4.10 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.

4.22 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. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.23 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.

4.24 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.

4.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.26 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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.26 Taxation (Cont'd)

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.

4.27 Research and development expenditure

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

4.28 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.

4.29 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

Significant increase in credit risk (Cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

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

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.

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. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.30 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.

4.31 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 2023

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

4.32 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.

4.33 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 note 19 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 RMB7,782,000 (2022: RMB9,092,000) 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 RMB35,299,000 (2022: RMB38,092,000).

In addition, Penglai Jutal is in the process of obtaining the ownership certificates of other building structures with carrying amounts of RMB17,817,000 (2022: RMB20,444,000). 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.

Significant increase in credit risk

As explained in note 4.29, 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.

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

Critical judgements in applying accounting polices (Cont'd)

Other contract costs

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

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 2023 was approximately RMB917,719,000 (2022: RMB1,036,027,000).

Recognition of revenue from construction contracts

As explained in policy notes 4.10 and 4.21, 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 RMB621,597,000 (2022: RMB817,067,000) 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.

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 2023, approximately RMB130,587,000 (2022: RMB10,390,000) of income tax was charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Key sources of estimation uncertainty (Cont'd)

Income taxes (Cont'd)

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 2023, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB5,228,000 (2022: RMB59,319,000) and RMB36,021,000 (2022: RMB45,439,000) 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 2023 were RMB917,719,000 (2022: RMB1,036,027,000) and RMB378,631,000 (2022: RMB397,715,000) respectively.

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 (2022: 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 2023, the carrying amount of trade and bills receivables and contract assets is RMB1,628,035,000 (net of allowance for doubtful debts of RMB104,037,000) (2022: RMB632,912,000 (net of allowance for doubtful debts of RMB94,980,000)).

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

Key sources of estimation uncertainty (Cont'd)

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 2023, approximately RMB3,506,000 (2022: Nil) of share-based payments expense was charged to profit or loss based on the fair value at date of grant and the vesting period.

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$"). During the years ended 31 December 2023 and 2022, the Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. 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 2023, 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 RMB17,092,000 lower (2022: consolidated loss after tax for the year would have been approximately RMB13,195,000 higher), 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 RMB17,092,000 higher (2022: consolidated loss after tax for the year would have been approximately RMB13,195,000 lower), 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 29 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 2023 and 2022, 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 2023 and 2022 is insignificant to the Group and therefore no sensitivity analysis is presented thereon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

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.

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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 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

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6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

As at 31 December 2022

	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	0.01%	0.03%	0.06%	0.10%	0.12%	100%	
Group 2	5.13%	13.70%	N/A	100%	100%	100%	
Gross carrying amount							
– Collectively assessed							
Group 1 (RMB'000)	241,135	1,792	5,808	523	8,820	12,487	270,565
Group 2 (RMB'000)	7,413	62	–	11	1,450	904	9,840
– Specifically assessed (RMB'000)	29,005	–	–	–	39,785	13,060	81,850
Total	277,553	1,854	5,808	534	50,055	26,451	362,255
Loss allowance							
– Collectively assessed							
Group 1 (RMB'000)	10	1	4	1	11	12,487	12,514
Group 2 (RMB'000)	380	8	–	11	1,450	904	2,753
– Specifically assessed (RMB'000)	29,005	–	–	–	39,785	10,894	79,684
Total	29,395	9	4	12	41,246	24,285	94,951

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 0.58% and 1.13% respectively (2022: 0.01% and 5.13% respectively). As at 31 December 2023, the loss allowance provision for contract assets amounted to RMB2,964,000 (2022: RMB29,000).

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.

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 2022	120,146	2,176	122,322
Reversal of impairment losses recognised for the year	(21,973)	(2,147)	(24,120)
Uncollective amounts written off	(3,222)	–	(3,222)
At 31 December 2022 and 1 January 2023	94,951	29	94,980
Impairment losses recognised for the year	6,122	2,935	9,057
At 31 December 2023	101,073	2,964	104,037

The following changes in the gross carrying amounts of trade and bills receivables and contract assets contributed to the increase in the loss allowance during 2023:

– increase in days past due more than 2 years resulted in an increase in loss allowance of RMB4,415,000.

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 2022	11
Impairment losses recognised for the year	6
At 31 December 2022 and 1 January 2023	17
Reversal of impairment losses recognised for the year	(9)
At 31 December 2023	8

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For the year ended 31 December 2023

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 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 *(Note)*	93,285	199,540	30,965	–	323,790
At 31 December 2022					
Trade and bills payables	495,283	–	–	–	495,283
Accruals and other payables	100,510	–	–	–	100,510
Lease liabilities	9,814	7,439	9,468	9,483	36,204
Bank borrowings *(Note)*	220,018	90,147	180,180	–	490,345

Note: *Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2023, no bank borrowings contain a repayment on demand clause (2022: no bank borrowings contain a repayment on demand clause).*

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 2023					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	345,117	–	–	–	345,117
– Outflow	(352,395)	–	–	–	(352,395)
	(7,278)	–	–	–	(7,278)
At 31 December 2022					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	485,877	–	–	–	485,877
– Outflow	(495,326)	–	–	–	(495,326)
	(9,449)	–	–	–	(9,449)

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 2023, 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 RMB3,697,000 lower (2022: consolidated loss after tax for the year would have been approximately RMB1,433,000 higher), 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 RMB3,697,000 higher (2022: consolidated loss after tax for the year would have been approximately RMB1,433,000 lower), 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

	2023 RMB'000	2022 RMB'000
Financial assets:		
Financial assets at fair value through profit or loss		
Unlisted private funds	58,283	57,454
Financial assets measured at amortised cost	2,547,570	1,419,944
Derivative financial instruments – held for trading	703	4,015
Financial liabilities:		
Financial liabilities at amortised cost	1,122,497	1,060,592
Derivative financial instruments – held for trading	7,886	13,801

(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.

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For the year ended 31 December 2023

7. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

31 December 2022

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	57,454
Derivatives	
Foreign currency forward	4,015
Total	61,469
Financial liabilities:	
Derivatives	
Foreign currency forward	13,801
Total	13,801

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 2023:

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 2023.

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			
			2023		2022	
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	–	57,454	–
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	703	7,886	4,015	13,801
Total			58,986	7,886	61,469	13,801

There were no changes in the valuation techniques used for the years ended 31 December 2023 and 2022.

8. REVENUE

(a) Disaggregation of revenue

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

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by type of contract		
– Revenue from construction contracts	2,375,682	1,544,552
– Trading of products	24,518	41,912
– Technical support services	191,573	164,463
	2,591,773	1,750,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023

	Revenue from construction contracts		Trading of products		Technical support services		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Timing of revenue recognition								
Goods and services transferred at a point in time	12,591	19	24,518	41,912	–	1,743	37,109	43,674
Goods and services transferred over time	2,363,091	1,544,533	–	–	191,573	162,720	2,554,664	1,707,253
Total	2,375,682	1,544,552	24,518	41,912	191,573	164,463	2,591,773	1,750,927

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 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 2023 and the expected timing of recognising revenue as follows:

	Construction contracts		Trading of products		Technical support services	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Within one year	2,105,479	608,955	–	–	142,888	50,528
More than one year but not more than two years	93,973	–	–	–	12,747	–
	2,199,272	608,955	–	–	155,635	50,528

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 service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

9. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Net foreign exchange gains	–	9,952
Compensation income	4,891	5,740
Government grants recognised *(Note a)*	9,385	10,761
Interest income on bank deposits	13,409	4,719
Gain on early termination of lease contracts	25	–
Reversal of other receivable previously written off *(Note b)*	–	3,063
Others	2,664	3,139
	30,374	37,374

Notes:

(a) *For the year ended 31 December 2023, government grants of approximately RMB4,184,000 (2022: RMB3,936,000) 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 RMB5,201,000 (2022: RMB6,825,000) are recognised in relation to certain research and development activities.*

(b) *For the year ended 31 December 2022, the reversal of other receivable was mainly resulted from the settlement of the amount which was fully written off in previous year.*

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 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, administrative expenses, 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 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, derivative financial instruments, current and deferred tax liabilities and deferred income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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 loss on other receivables				(9)
Impairment losses on contract assets				2,935
Impairment losses on intangible assets				1,915
Provision for allowances for 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)

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 2022				
Revenue from external customers	1,569,849	167,142	13,936	1,750,927
Segment profit	102,857	(60,886)	559	42,530
Depreciation and amortisation	141,300	15,400	84	156,784
Other material non-cash items:				
Reversals of impairment losses on trade and bills receivables, net				(21,973)
Reversals of impairment loss on contract assets				(2,147)
Provision for allowances for inventories				17,105
Impairment losses on property, plant and equipment				55,962
Losses on derivative financial instruments				26,105
Provision for onerous contract				72,232
Additions to segment non-current assets				48,341
As at 31 December 2022				
Segment assets	2,056,000	202,022	24,388	2,282,410
Segment liabilities	758,365	111,607	16,915	886,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment profit or loss, assets and liabilities

	2023 RMB'000	2022 RMB'000
Profit or loss		
Total profit of reportable segments	655,390	42,530
Unallocated amounts:		
Finance costs	(20,396)	(28,645)
(Impairment losses)/Reversals of impairment losses on trade and bills receivables	(6,122)	21,973
Reversal of impairment losses on other receivables	9	–
(Impairment losses)/Reversals of impairment losses on contract assets	(2,935)	2,147
Impairment losses on intangible assets	(1,915)	–
Other income	30,374	37,374
Other corporate expenses	(268,829)	(273,223)
Consolidated profit/(loss) before tax for the year	385,576	(197,844)
Assets		
Total assets of reportable segments	3,159,068	2,282,410
Unallocated amounts:		
Bank and cash balances	752,717	610,477
Pledged bank deposits	51,069	97,799
Derivative financial instruments	703	4,015
Financial assets at fair value through profit or loss	58,283	57,454
Current tax assets	–	6,426
Deferred tax assets	5,228	59,319
Goodwill	52,444	52,444
Other corporate assets	5,487	9,118
Consolidated total assets	4,084,999	3,179,462
Liabilities		
Total liabilities of reportable segments	1,654,273	886,887
Unallocated amounts:		
Bank borrowings	309,300	464,800
Derivative financial instruments	7,886	13,801
Current tax liabilities	49,693	–
Deferred income	16,087	21,288
Deferred tax liabilities	36,021	45,439
Consolidated total liabilities	2,073,260	1,432,215

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 deferred tax assets and trade receivables non-current portion) by location of assets are detailed below:

	Revenue		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
PRC except Hong Kong	289,642	334,804	1,354,281	1,495,304
United States	39,940	103,106	–	–
Switzerland	458,717	238,439	–	–
Norway	244	53,102	–	–
Singapore	1,237	49,493	–	–
France	15,119	608,380	–	–
United Kingdom	200,356	131,797	–	–
Netherlands	68,741	128,509	–	–
United Arab Emirates	1,343,194	4,130	–	–
Others	174,583	99,167	–	–
Consolidated total	2,591,773	1,750,927	1,354,281	1,495,304

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 2023				
Customer A	133,585	124	8,763	142,472
Customer B	448,095	–	–	448,095
Customer C	–	–	–	–
Customer D	1,330,579	–	–	1,330,579
Year ended 31 December 2022				
Customer A	173,195	21,195	5,779	200,169
Customer B	183,806	50,181	–	233,987
Customer C	462,144	–	–	462,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. OTHER OPERATING EXPENSES

	2023 RMB'000	2022 RMB'000
Net losses on disposal of property, plant and equipment	269	368
Net foreign exchange losses	7,526	–
Provision for allowances for inventories	26,488	17,105
Impairment losses on property, plant and equipment	5,365	55,962
Losses on derivative financial instruments	27,112	26,105
Impairment losses on contract cost assets	–	5,072
Impairment losses on intangible assets	1,915	–
Loss on deregistration of branches of a subsidiary	572	–
Others	3,565	584
	72,812	105,196

12. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	18,601	25,082
Interest on lease liabilities	1,364	1,552
Others	431	2,011
	20,396	28,645

13. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	81,129	4,422
Under/(Over)-provision in prior years	4,785	(769)
	85,914	3,653
Deferred tax *(Note 39)*	44,673	6,737
	130,587	10,390

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 2023 and 2022.

(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 recognise as a new and high technology enterprise starting from 12 December 2022 to 11 December 2025.

During the year ended 31 December 2023, Penglai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2022: 15%).

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

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

During the year ended 31 December 2023, Zhuhai Jutal has met all required conditions and is therefore entitled to enjoy a reduced income tax rate of 15% (2022: 15%).

(iii) The tax rate applicable to other Group's PRC subsidiaries were 25% (2022: 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/(loss) before tax multiplied by the PRC enterprise income tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit/(Loss) before tax	385,576	(197,844)
Tax at the PRC enterprise income tax rate of 25% (2022: 25%)	96,394	(49,461)
Tax effect of income that is not taxable	(231)	(1,355)
Tax effect of expenses that are not deductible	15,792	8,005
Tax effect of tax loss previously not recognised	(1,958)	–
Tax effect of tax losses not recognised	17,930	41,783
Deferred tax on undistributed earnings of the PRC subsidiaries	1,962	1,295
Tax effect on deferred tax assets previously recognised	53,323	–
Tax benefit for qualifying research and development expenses	(6,589)	(9,588)
Under/(Over)-provision in prior years	4,785	(769)
Effect of different tax rates of subsidiaries	(50,821)	20,480
Income tax expense	130,587	10,390

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14. PROFIT/(LOSS) FOR THE YEAR

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

	2023 RMB'000	2022 RMB'000
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	352,313	425,451
Retirement scheme contributions	31,623	37,375
Share-based payments	3,506	–
	387,442	462,826
Amortisation of intangible assets	1,716	1,928
Depreciation on property, plant and equipment	115,417	133,390
Depreciation on right-of-use assets	20,150	21,466
Net loss on disposals of property, plant and equipment*	269	368
Net foreign exchange losses/(gains)*	7,526	(9,952)
Research and development expenditure	99,557	78,469
Auditor's remuneration	1,550	1,717
Cost of inventories utilised in construction contracts and sold	513,840	349,121
Cost of service	257,320	319,783
Provision for allowances for inventories*	26,488	17,105
Impairment/(Reversals) of allowance on trade and bills receivables	6,122	(21,973)
Impairment/(Reversals) of allowance on contract assets	2,935	(2,147)
Impairment losses on property, plant and equipment*	5,365	55,962
Impairment losses on intangible assets	1,915	–
Reversals of other receivables previously written off*	–	3,063
Losses on derivative financial instruments*	27,112	26,105

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

15. EMPLOYEE BENEFITS EXPENSE

	2023 RMB'000	2022 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	352,313	425,451
Retirement benefit scheme contributions	31,623	37,375
Share-based payments	3,506	–
	387,442	462,826

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 2023 and 2022, 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 2023 and 2022 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 two (2022: two) directors whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining three individuals (2022: three individuals) is set out below:

	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	3,964	4,787
Discretionary bonus	–	–
Share-based payments	–	–
Retirement benefits scheme contributions	–	–
	3,964	4,787

The emoluments of this remaining three individuals (2022: three individuals) fell within the following bands:

	Number of individuals	
	2023	2022
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	2
HK$2,000,001 to HK$2,500,000 (approximately RMB1,720,001 to RMB2,150,000)	–	1

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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	–	2,175	–	–	–	2,175
Mr. Cao Yunsheng	–	1,491	–	557	42	2,090
Mr. Liu Yunian	–	727	–	247	–	974
	–	4,393	–	804	42	5,239
Independent non-executive directors						
Mr. Tam Kin Yip	242	–	–	56	–	298
Mr. Han Guimao *(Note d)*	360	–	–	56	–	416
Ms. Choy So Yuk *(Note e)*	242	–	–	56	–	298
Mr. Cheung Ngar Tat Eddie *(Note f)*	242	–	–	56	–	298
	1,086	–	–	224	–	1,310
Total for 2023	1,086	4,393	–	1,028	42	6,549
Executive directors						
Mr. Wang Lishan	–	2,061	–	–	–	2,061
Mr. Cao Yunsheng	–	1,393	–	–	76	1,469
Mr. Liu Lei *(Note a)*	–	1,202	–	–	–	1,202
Mr. Liu Yunian	–	1,077	–	–	59	1,136
Mr. Wang Ningsheng *(Note c)*	–	–	–	–	–	–
Mr. Gao Zhiqiang *(Note b)*	–	–	–	–	–	–
	–	5,733	–	–	135	5,868
Independent non-executive directors						
Mr. Su Yang *(Note g)*	80	–	–	–	–	80
Mr. Qi Daqing *(Note h)*	84	–	–	–	–	84
Mr. Tam Kin Yip	240	–	–	–	–	240
Mr. Zheng Yimin *(Note i)*	–	–	–	–	–	–
Mr. Han Guimao *(Note d)*	360	–	–	–	–	360
Ms. Choy So Yuk *(Note e)*	134	–	–	–	–	134
Mr. Cheung Ngar Tat Eddie *(Note f)*	134	–	–	–	–	134
	1,032	–	–	–	–	1,032
Total for 2022	1,032	5,733	–	–	135	6,900

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

(a) Directors' emoluments (Cont'd)

Notes:

(a) *Mr. Liu Lei retired as an executive director on 27 May 2022.*

(b) *Mr. Gao Zhiqiang retired as an executive director on 27 May 2022.*

(c) *Mr. Wang Ningsheng retired as an executive director on 27 May 2022.*

(d) *Mr. Han Guimao was appointed as an independent non-executive director on 1 April 2022.*

(e) *Ms. Choy So Yuk was appointed as an independent non-executive director on 3 June 2022.*

(f) *Mr. Cheung Ngar Tat Eddie was appointed as an independent non-executive director on 3 June 2022.*

(g) *Mr. Su Yang was resigned as an independent non-executive director on 26 April 2022.*

(h) *Mr. Qi Daqing was resigned as an independent non-executive director on 27 April 2022.*

(i) *Mr. Zheng Yimin was resigned as independent non-executive director on 3 June 2022.*

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.

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17. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

18. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2023 RMB'000	2022 RMB'000
Earnings/(Loss)		
Earnings/(Loss) for the purpose of calculating basic and diluted earnings/(loss) per share	254,989	(208,234)

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,981,598,389	1,764,461,388
Effect of dilutive potential ordinary shares arising from share options	78,022	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	1,981,676,411	1,764,461,388

Basic earnings/(loss) per share attributable to owners of the Company is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the year.

Diluted earnings/(loss) per share attributable to owners of the Company is calculated by dividing the profit/(loss) 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 2022	1,189,779	446,918	116,751	18,330	6,625	1,778,403
Additions	118	6,597	3,658	–	36,178	46,551
Reclassification	–	34,898	141	–	(35,039)	–
Write off/disposals	(262)	(4,459)	(12,322)	(1,115)	–	(18,158)
Exchange realignment	–	–	51	118	–	169
At 31 December 2022 and 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	1,185,905	426,978	110,235	12,667	8,739	1,744,524
Accumulated depreciation and impairment						
At 1 January 2022	288,502	220,528	75,209	14,815	–	599,054
Charge for the year	69,099	54,318	8,958	1,015	–	133,390
Write off/disposals	(203)	(4,045)	(12,209)	(1,115)	–	(17,572)
Provision for impairment losses	44,140	10,237	1,520	65	–	55,962
Exchange realignment	–	–	51	53	–	104
At 31 December 2022 and 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	457,765	277,846	80,608	10,586	–	826,805
Carrying amount						
At 31 December 2023	728,140	149,132	29,627	2,081	8,739	917,719
At 31 December 2022	788,097	202,916	34,750	2,500	7,764	1,036,027

At 31 December 2023 and 2022, there is no property, plant and equipment was pledged as security.

At 31 December 2023, the Group has certain building structures with carrying amounts of approximately RMB35,299,000 (2022: RMB38,092,000) 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 additions, at 31 December 2023, the Group is still in the process of obtaining the ownership certificates of other building structures with carrying amounts of approximately RMB17,817,000 (2022: RMB20,444,000).

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For the year ended 31 December 2023

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

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 RMB5,365,000 (2022: RMB55,962,000) 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 12.1% (2022: 14.0%) 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 2023 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 2.2% (2022: 3%) 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 2022	380,199	49,314	429,513
Additions	–	1,790	1,790
Modification	–	(12,172)	(12,172)
Depreciation	(11,248)	(10,218)	(21,466)
Exchange difference	–	50	50
At 31 December 2022 and 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	357,682	20,949	378,631

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 2023. Lease contracts are entered into for fixed term of 30 months to 15.5 years (2022: 17 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 (2022: 50 years).

Lease liabilities of RMB23,825,000 (2022: RMB30,957,000) are recognised with related right-of-use assets of RMB20,949,000 (2022: RMB28,764,000) as at 31 December 2023. 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 2023, the Group is still in the process of obtaining the land use rights certificates of certain leasehold lands with the carrying amounts of approximately RMB7,782,000 (2022: RMB9,092,000).

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

	2023 RMB'000	2022 RMB'000
Depreciation expenses on right-of-use assets	20,150	21,466
Interest expense on lease liabilities (included in finance cost)	1,364	1,552
Expenses relating to short-term lease (included in cost of sales and services and administrative expense)	2,424	3,167
Expenses relating to leases of low value assets (included in administrative expenses)	302	607

Details of total cash outflow for leases is set out in note 44(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)	
	2023 RMB'000	2022 RMB'000
Fabrication site – PRC	11,531	14,904

	Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2023 RMB'000	2022 RMB'000
Fabrication site – PRC	20,979	18,803

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 year ended 31 December 2023 and 2022, there has been no such triggering event.

21. GOODWILL

	RMB'000
Cost	
At 31 December 2022, 1 January 2023 and 31 December 2023	54,648
Accumulated impairment losses	
At 31 December 2022, 1 January 2023 and 31 December 2023	(2,204)
Carrying amount	
At 31 December 2023 and 31 December 2022	52,444

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:

	2023 RMB'000	2022 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 12.8% (2022: 15.0%) 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 2023 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 2.2% (2022: 3%) 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 RMB2,425,384,000 (2022: RMB286,868,000). 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.

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22. INTANGIBLE ASSETS

	RMB'000
Cost	
At 1 January 2022, 31 December 2022, 1 January 2023 and **31 December 2023**	24,875
Accumulated amortisation	
At 1 January 2022	13,829
Amortisation for the year	1,928
At 31 December 2022 and 1 January 2023	**15,757**
Amortisation for the year	**1,716**
At 31 December 2023	**17,473**
Accumulated impairment	
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Impairment for the year	1,915
At 31 December 2023	**1,915**
Carrying amount	
At 31 December 2023	**5,487**
At 31 December 2022	9,118

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 3.7 years (2022: 4.7 years).

23. SUBSIDIARIES

List of subsidiaries

Particulars of the Group's major subsidiaries as at 31 December 2023 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 (2022: 5 ordinary shares of US$1 each)	100%	–	Investment holding
Indirectly held:					
Jutal Engineering Company Limited	Hong Kong/Limited liability company	2 ordinary shares (2022: 2 ordinary shares)	–	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 (2022: 2 ordinary shares of US$1 each)	–	100%	Investment holding
Hong Kong Jutal Holdings Limited	Hong Kong/Limited liability company	157,045,432 ordinary shares (2022: 157,045,432 ordinary shares)	–	100%	Investment holding

23. 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
Advance Engineering (Asia) Limited	Hong Kong/Limited liability company	1,000,000 ordinary shares (2022: 1,000,000 ordinary shares)	–	100%	Investment holding
Stand Success Resources Limited	British Virgin Islands/Limited liability company	1 ordinary share of US$1 (2022: 1 ordinary share of US$1)	–	100%	Investment holding
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 (2022: Paid up and registered capital of HK$10,000,000)	–	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 (2022: Paid up Capital of RMB200,000,000 Registered capital of RMB700,000,000)	–	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 (2022: Paid up and registered capital of RMB500,000,000)	–	100%	Provision of integrated services for oil and gas industries and new energy and refining and chemical industries
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 (2022: Paid up and registered capital of HK$33,330,000)	–	100%	Provision of technical support services for shipbuilding industry

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23. 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
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 (2022: Paid up Capital of RMB3,000,000) Registered capital of RMB10,000,000 (2022: Registered capital of RMB10,000,000)	–	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.)	PRC/Limited liability company	Paid up and registered capital of RMB20,000,000 (2022: Paid up and registered capital of RMB20,000,000)	–	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$69,360,000 (2022: Paid up Capital of US$58,800,000) Registered capital of US$129,700,000 (2022: Registered capital of US$94,500,000)	–	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 subsidiaries which principally affected the results, assets or liabilities of the Group.

During the year ended 31 December 2023, the Group deregistered several branches of Shenzhen Jutal Machinery Equipment Company Limited. During the year, loss on deregistration of branches of a subsidiary amounted to RMB572,000 (2022: Nil) was recognised in other operating expenses.

24. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	110,569	122,152

25. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	1,215,162	362,255
Allowance for doubtful debts	(101,073)	(94,951)
	1,114,089	267,304
Bills receivables	9,242	–
	1,123,331	267,304
Classified as:		
Trade receivables, non-current	3,846	3,281
Trade and bills receivables, current	1,119,485	264,023
	1,123,331	267,304

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:

	2023 RMB'000	2022 RMB'000
Billed		
0 to 30 days	867,651	192,218
31 to 90 days	229,171	37,414
91 to 365 days	16,704	13,790
Over 365 days	58,821	73,009
	1,172,347	316,431
Unbilled *(Note a)*	42,815	45,824
	1,215,162	362,255

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 2023, unbilled balance of RMB3,846,000 (2022: RMB3,281,000) will be billed after one year from the end of the reporting date.

As at 31 December 2023, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB12,820,000 (2022: RMB14,947,000).

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25. TRADE AND BILLS RECEIVABLES (CONT'D)

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

	2023 RMB'000	2022 RMB'000
RMB	1,026,749	121,307
United States Dollar ("US$")	95,306	144,201
Euro	–	538
HK$	1,276	1,258
	1,123,331	267,304

26. CONTRACT COST ASSETS

	2023 RMB'000	2022 RMB'000
Contract cost assets	1,298	10,091

The amount represents the costs incurred 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:

	2023 RMB'000	2022 RMB'000
At 1 January	10,091	7,136
Additions	26	8,819
Amortisation for the year	(8,819)	(792)
Impairment loss on contract cost assets	–	(5,072)
At 31 December	1,298	10,091

27. CONTRACT ASSETS/CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract assets		
Arising from performance under construction contracts	453,074	307,597
Arising from performance under technical support services	51,630	58,011
	504,704	365,608
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	1,123,331	267,304

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

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. Payment for technical support 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 services are performed to represent the entity's right to consideration for the services performed to date.

During the reporting period, increase in contract assets mainly due to 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 RMB1,860,000 (2022: RMB87,458,000), 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 (2022: Nil).

	2023 RMB'000	2022 RMB'000
Contract liabilities		
Billings in advance of performance obligation		
Construction contracts	640,133	123,608
Technical support services	8,770	4,612
	648,903	128,220

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

During the reporting period, increase in the contract liabilities balance mainly because of increase in advance payments from contract customers.

Movements in contract liabilities:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	128,220	86,677
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	(120,877)	(79,395)
Increase in contract liabilities as a result of billing in advance of construction activities	641,560	120,938
Balance at 31 December	648,903	128,220

No billings in advance are expected to be recognised as income after more than one year (2022: Nil).

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	7,067	4,757
Deposits	64,503	39,178
Other receivables *(Note)*	51,254	39,595
	122,824	83,530
Less: Allowance for other receivables	(8)	(17)
	122,816	83,513

Note: The amount included value-added tax receivables amounted to RMB35,811,000 (2022: RMB20,366,000).

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 RMB'000	2022 RMB'000
Financial assets		
Derivatives not under hedge accounting:		
Foreign currency forward	703	4,015
Financial liabilities		
Derivatives not under hedge accounting:		
Foreign currency forward	7,886	13,801

At 31 December 2023 and 2022, 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:

	2023 RMB'000	2022 RMB'000
Sell US$ for RMB	354,534	425,114
Sell Euro for RMB	–	80,550

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 RMB27,112,000 was debited to the profit or loss for the year ended 31 December 2023 (2022: RMB26,105,000 debited to the profit or loss).

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted private funds	58,283	57,454

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 period ended as the investments are redeemable with 12 months after the end of the reporting period.

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

31. 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 notes 36 and 37 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:

	2023 RMB'000	2022 RMB'000
RMB	601,087	382,589
HK$	93,378	92,747
US$	101,251	133,894
Euro	7,984	98,974
Others	86	72
	803,786	708,276

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.

32. TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	652,050	467,727
Bills payables	47,405	27,556
	699,455	495,283

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32. TRADE AND BILLS PAYABLES (CONT'D)

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

	2023 RMB'000	2022 RMB'000
0 to 30 days	530,981	153,648
31 to 90 days	41,295	68,314
91 to 365 days	21,325	152,886
Over 365 days	58,449	92,879
	652,050	467,727

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

	2023 RMB'000	2022 RMB'000
RMB	694,026	489,090
US$	4,030	6,028
HK$	115	113
Euro	1,284	52
Total	699,455	495,283

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

33. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Accrued staff costs	83,801	46,133
Payables for purchases of property, plant and equipment, construction fees and other expenses	7,276	29,673
Others	22,665	24,704
	113,742	100,510

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Within one year	8,303	9,814	7,312	8,399
In the second to fifth years, inclusive	11,327	16,907	9,392	14,467
After five years	8,138	9,483	7,121	8,091
	27,768	36,204	23,825	30,957
Less: Future finance charges	(3,943)	(5,247)	N/A	N/A
Present value of lease obligations	23,825	30,957	23,825	30,957
Less: Amount due for settlement within 12 months (shown under current liabilities)			(7,312)	(8,399)
Amount due for settlement after 12 months			16,513	22,558

The weighted average incremental borrowing rates applied to lease liabilities is 5.0% (2022: 5.3%).

The lease liabilities are denominated in RMB.

35. PROVISIONS

	Warranty provision *(note (i))*		Provision for onerous contract *(note (ii))*		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At 1 January	59,685	79,583	72,232	78,114	131,917	157,697
Additional provisions	114,476	9,150	–	72,232	114,476	81,382
Provisions used	–	(58)	(72,232)	–	(72,232)	(58)
Unused provisions reversed	(5,813)	(28,990)	–	–	(5,813)	(28,990)
Provisions reversed upon completion of the contract	–	–	–	(78,114)	–	(78,114)
At 31 December	168,348	59,685	–	72,232	168,348	131,917

Notes:

(i) The warranty provision represents the Group's best estimate of the Group's liability under 18 – 84 months (2022: 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 relates 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 is 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.

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36. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank borrowings	309,300	464,800

The bank borrowings are repayable as follows:

	2023 RMB'000	2022 RMB'000
Within one year	81,800	205,000
More than one year, but not exceeding two years	197,000	177,800
More than two years, but not more than five years	30,500	82,000
	309,300	464,800
Less: Amount due for settlement within 12 months (shown under current liabilities)	(81,800)	(205,000)
Amount due for settlement after 12 months	227,500	259,800

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 2023 was 4.20% (2022: 4.25%) per annum.

Bank borrowings of approximately RMB49,500,000 (2022: RMB28,500,000) are 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 2023, bank borrowings of approximately RMB220,900,000 (2022: RMB332,000,000) are secured by the followings:

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

ii. legal charge over equity interests of a subsidiary of the Company.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2023. Except as at 31 December 2022, the Group breached certain covenant clauses in three bank loan agreements in relation to the maintenance of the operating cash flow and net profit requirement of the respective subsidiaries. As a result, bank loans of RMB58,100,000 are subject to an early repayment option by the banks. Such bank loans are reclassified as current liabilities as at 31 December 2022. The banks have not requested for the early repayment of the respective bank loans.

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.

37. BANKING FACILITIES

At 31 December 2023, the Group had approximately RMB104,290,000 (2022: RMB385,140,000) 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 31);

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

iii. legal charge over equity interests of a subsidiary of the Company.

As at 31 December 2023, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB299,066,000 (2022: RMB419,276,000).

38. DEFERRED INCOME

	Notes	2023 RMB'000	2022 RMB'000
At 1 January		21,288	28,113
Recognised as income and included in the Group's other income		(5,201)	(6,825)
At 31 December		16,087	21,288
Represented by:			
Government grant A	*(i)*	6,284	7,150
Government grant B	*(ii)*	9,803	14,138
At 31 December		16,087	21,288
Classified as:			
Current liabilities		4,100	6,824
Non-current liabilities		11,987	14,464
		16,087	21,288

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 used. 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 2023 (2022: RMB867,000).

(ii) These represents numerous of 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 RMB4,335,000 was transferred to profit or loss for the year ended 31 December 2023 (2022: RMB5,958,000).

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39. 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 2022	76,290	174	24,803	(67,340)	(54,544)	(20,617)
Charge to profit or loss for the year *(Note 13)*						
– Changes in temporary differences	(9,977)	2,445	1,295	588	12,386	6,737
At 31 December 2022 and 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	59,444	4,119	28,061	(13,429)	(47,402)	30,793

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax liabilities	36,021	45,439
Deferred tax assets	(5,228)	(59,319)
	30,793	(13,880)

At the end of reporting period the Group has unused tax losses of approximately RMB784,866,000 (2022: RMB729,855,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB89,526,000 (2022: RMB445,012,000). No deferred tax asset has been recognized in respect of the remaining approximately of RMB695,340,000 (2022: RMB284,843,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB100,087,000, RMB233,754,000, RMB201,147,000, RMB50,508,000, RMB106,500,000, RMB1,454,000 and RMB1,503,000 that can be carried forward by ten years, nine years, eight years, seven years, six years, three years and two years 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 RMB37,272,000 (2022: RMB23,911,000). 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.

40. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2022: HK$0.01) each		
At 1 January 2022, 31 December 2022, 1 January 2023 and **31 December 2023**	4,000,000,000	40,000

	Notes	Number of shares	Amount HK$'000	Equivalent to Amount RMB'000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2022: HK$0.01) each				
At 1 January 2022		1,681,306,389	16,813	15,150
Placement of shares	*(a)*	300,000,000	3,000	2,630
Exercise of share options	*(b)*	292,000	3	3
At 31 December 2022, 1 January 2023 and **31 December 2023**		**1,981,598,389**	**19,816**	**17,783**

Notes:

(a) On 22 September 2022, the Company issued 300,000,000 ordinary shares at price of HK$0.48 per share through placement. The premium on the issue of shares, amounting to approximately RMB119,815,000, net of share issue expenses, was credited to the Company's share premium account.

(b) Share options were exercised by option holders during the year ended 31 December 2022 to subscribe for a total of 292,000 ordinary shares in the Company at total consideration of approximately HK$140,000 (equivalent to approximately RMB119,000), of which approximately RMB3,000 was credited to share capital and the balance of approximately RMB116,000 was credited to the share premium account. Approximately RMB66,000 has been transferred from the share-based payment reserve to the 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.

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40. SHARE CAPITAL (CONT'D)

The gearing ratio as at the 31 December 2023 and 2022 is as follows:

	2023 RMB'000	2022 RMB'000
Bank borrowings	309,300	464,800
Lease liabilities	23,825	30,957
Total equity	2,011,739	1,747,247
Gearing ratio	16.56%	28.37%

The decrease in gearing ratio from the year ended 31 December 2022 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 2023, 44.92% (2022: 44.92%) of the shares were in public hands.

41. SHARE-BASED PAYMENTS

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.

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.

41. SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (Cont'd)

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
2019A	29 May 2019	29 May 2019 to 28 August 2019	29 August 2019 to 28 May 2022	1.04
2019B	29 May 2020	29 May 2019 to 28 November 2019	29 November 2019 to 28 May 2022	1.04
2019C	29 May 2019	29 May 2019 to 28 May 2020	29 May 2020 to 28 May 2022	1.04
2019D	29 May 2019	29 May 2019 to 28 November 2020	29 November 2020 to 28 May 2022	1.04
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

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41. SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (Cont'd)

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.

Details of the movement of the share options outstanding during the year are as follows:

	2023		2022	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	136,539,000	1.62	181,010,000	1.44
Granted during the year	119,200,000	0.52	–	–
Forfeited during the year	(17,438,000)	1.58	(44,179,000)	0.89
Exercised during the year	–	–	(292,000)	0.48
Outstanding at the end of the year	238,301,000	1.07	136,539,000	1.62
Exercisable at the end of the year	119,101,000	1.63	136,539,000	1.62

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.75 for the year ended 31 December 2022. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.15 years (2022: 2.6 years) and the exercise price ranges from HK$0.48 to HK$2.14 (2022: 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 2023, the Group recognised share-based payments amounting to RMB3,506,000 (2022: Nil) in profit or loss.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		135	214
Right-of-use assets		682	1,293
Investments in a subsidiary		583,848	575,536
		584,665	577,043
Current assets			
Prepayments, deposits and other receivables		12,523	13,990
Financial assets at fair value through profit or loss		58,283	57,454
Due from subsidiaries		840,372	851,080
Due from directors		11,913	–
Bank and cash balances		90,185	91,384
		1,013,276	1,013,908
Current liabilities			
Accruals and other payables		1,842	2,305
Due to subsidiaries		157,141	154,594
Financial guarantee contract liability		–	218
Lease liabilities		731	601
		159,714	157,718
Net current assets		853,562	856,190
Total assets less current liabilities		1,438,227	1,433,233
Non-current liabilities			
Lease liabilities		61	799
Net assets		1,438,166	1,432,434
Capital and reserves			
Share capital		17,783	17,783
Reserves	*43(b)*	1,420,383	1,414,651
Total		1,438,166	1,432,434

The Company's statement of financial position was approved by the Board of Directors on 26 March 2024 and signed on its behalf by:

Cao Yunsheng
Director

Zhao Wuhui
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. 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	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 2022	1,259,939	2,951	(122,793)	77,888	(16,624)	1,201,361
Placement of shares	119,815	–	–	–	–	119,815
Issue of shares on exercise of share options	182	–	–	(66)	–	116
Share options forfeited	–	–	–	(8,531)	8,531	–
Total comprehensive income for the year	–	–	112,696	–	(19,337)	93,359
At 31 December 2022 and 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	1,379,936	2,951	10,490	63,176	(36,170)	1,420,383

(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 4.23 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.

43. RESERVES (CONT'D)

(c) Nature and purpose of reserves (Cont'd)

(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.

(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 4.3(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.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to right-of-use assets during the year of RMB1,564,000 (2022: RMB1,790,000) 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 2023 RMB'000	Addition 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 34)*	30,957	1,564	(539)	(9,537)	1,364	16	23,825
Bank borrowings *(Note 36)*	464,800	30,500	–	(204,601)	18,601	–	309,300

	1 January 2022 RMB'000	Addition RMB'000	Lease modification RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2022 RMB'000
Lease liabilities *(Note 34)*	51,933	1,790	(13,143)	(11,229)	1,552	54	30,957
Bank borrowings *(Note 36)*	482,200	295,500	–	(337,982)	25,082	–	464,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. 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:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	4,090	5,326
Within financing cash flows	8,173	9,677
	12,263	15,003

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rental paid	12,263	15,003

45. 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 is now being proceeded and has not been completed up to the date of this report.

Because the final outcome of the proceedings is uncertain, the directors based on the legal advice obtained and determined that the ultimate liability, if any, will not have a material impact on the Group's financial position.

Save as disclosed above, as at 31 December 2023 and 2022, the Group did not have other significant contingent liabilities.

46. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	3,333	3,181

47. OPERATING LEASE ARRANGEMENTS

The Group regularly entered into short-term leases for office equipment and certain staff quarters. As at 31 December 2023, 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.

48. 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:

	Note	2023 RMB'000	2022 RMB'000
Payment on lease liabilities to a related company	*(a)*	1,882	1,882

Note:

(a) The related company is a wholly-owned subsidiary of Mr. Wang Lishan, an executive director and chairman of the Company.

(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:

	2023 RMB'000	2022 RMB'000
Contract assets from a major shareholder	16,461	16,461
Contract liabilities due to a subsidiary of a major shareholder	2,473	–
Other receivables due from a subsidiary of a major shareholder	250	250

49. EVENTS AFTER REPORTING PERIOD

On 7 March 2024, the Company completed a placing of 150,000,000 placing shares at the placing price of HK$0.42 per placing share, representing approximately 7.04% of the issued share capital of the Company as enlarged by the issue of the placing shares. The net proceeds from the placing, after deduction of the placing commission and other related expenses and professional fees from the gross proceeds from the placing, amounted to HK$61,509,000 (equivalent to RMB56,582,000) will be used for the construction of the existing Zhuhai site and Group's general working capital.

50. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2024.

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				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Turnover	1,760,624	3,647,183	3,981,612	1,750,927	**2,591,773**
Profit for the year attributable to owners of the Company	4,424	146,712	11,024	(208,234)	**254,989**

Assets and liabilities

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total assets	4,205,991	4,605,185	3,873,970	3,179,462	**4,084,999**
Total liabilities	(2,054,998)	(2,355,840)	(2,068,503)	(1,432,215)	**(2,073,260)**
Total equity	2,150,993	2,249,345	1,805,467	1,747,247	**2,011,739**

Liquidity and gearing ratio

	As at 31 December				
	2019	2020	2021	2022	**2023**
Current Ratio(1)	1.63	1.60	1.19	1.49	**1.53**
Quick Ratio(2)	1.50	1.53	1.09	1.38	**1.47**
Gearing Ratio(3)	31.71%	25.55%	29.58%	28.37%	**16.56%**

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 2023 decreased compared to that as at 31 December 2022, which was mainly due to the increase of total equity caused by the profit in year 2023 and the decrease of bank borrowings and lease liabilities.*