JUTAL

巨濤海洋石油服務有限公司
Jutal Offshore Oil Services Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03303)

Annual Report 2015

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	:	800,354,278 ordinary shares
Website	:	http://www.jutal.com

BOARD OF DIRECTORS

Executive directors

Mr. Wang Lishan *(Chairman)*
Mr. Cao Yunsheng *(CEO)*
Mr. Tang Hui
Mr. Li Jing

Independent non-executive directors

Mr. Su Yang
Mr. Xiang Qiang
Mr. Qi Daqing

AUDIT COMMITTEE

Mr. Su Yang *(Chairman)*
Mr. Xiang Qiang
Mr. Qi Daqing

REMUNERATION COMMITTEE

Mr. Xiang Qiang *(Chairman)*
Mr. Su Yang
Mr. Qi Daqing

NOMINATION COMMITTEE

Mr. Qi Daqing *(Chairman)*
Mr. Su Yang
Mr. Xiang Qiang

COMPANY REPRESENTATIVE AND COMPANY SECRETARY

Ms. Leung Fung Yee Alice

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1102-1103, 11th Floor,
No. 9 Queen's Road,
Central, Hong Kong

HEADQUARTERS IN THE PRC

10th Floor, Chiwan Petroleum Building,
Shekou, Nanshan District,
Shenzhen, The PRC 518068
Tel: (86 755) 26694111
Fax: (86 755) 26694666

LEGAL ADVISORS

As to Hong Kong law:

Anthony Siu & Co., Solicitors & Notaries

1102-1103, 11th Floor,
No. 9 Queen's Road,
Central, Hong Kong

As to PRC law:

Deheng Law Offices (Shenzhen)

38F, Golden Business Centre,
2028 Shennan East Road, Luohu District,
Shenzhen, The PRC

As to Cayman Islands law:

Conyers Dill & Pearman

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

AUDITOR AND REPORTING ACCOUNTANT

RSM Hong Kong
Certified Public Accountants

29th Floor,
Lee Gardens Two,
28 Yun Ping Road, Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman, KY1-1110,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 22, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

INVESTOR ENQUIRY

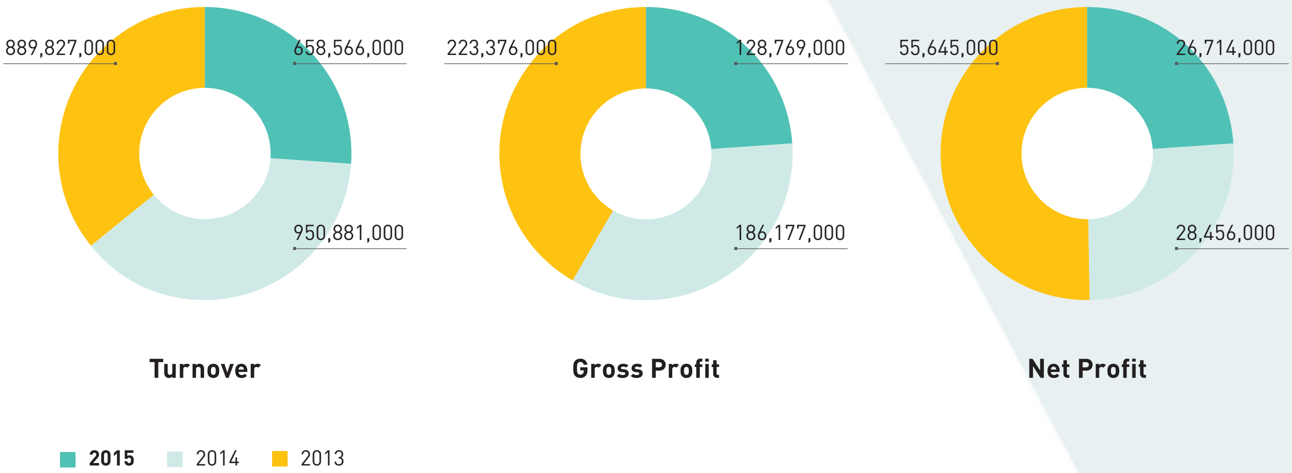
Investor Relations

Jutal Offshore Oil Services Limited

10th Floor, Chiwan Petroleum Building
Shekou, Nanshan District
Shenzhen, The PRC 518068
Tel : (86 755) 26850472
Fax : (86 755) 26694666
Email : yxy@jutal.com

FINANCIAL HIGHLIGHTS

1. RESULTS (RMB)



2. BASIC AND DILUTED EARNINGS PER SHARE

Profit attributable to owners of the Company was RMB26,714,000 for the year and the basic and diluted earnings per ordinary share were RMB0.0334.

3. DIVIDEND

The directors recommend the payment of final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 December 2015.

CEO 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 2015 to the shareholders.

CEO STATEMENT

BUSINESS REVIEW

In 2015, global economic growth has generally slowed down and the oil and gas industry reached the trough of its cycle. As the overall oil supply around the world continued to outstrip demand, international oil prices overtook the previous low during the financial crisis. As a result, global capital expenditures on the oil and gas industry as well as the scale of the relevant engineering service market continued to shrink. International oil companies were struggling through this ice age for the industry by adopting measures to control investment and high-risk projects so as to control costs and number of staff.

Being a company mainly providing oil and gas facilities and equipment as well as professional technical support services, our customers include oil and gas enterprises, main oil and gas construction contractors and professional equipment manufacturing contractors. We also provide our customers with customised facilities and solutions. Since early 2015, we implemented cost and expenditure reducing measures including adjusting and streamlining structure and personnel, slashing and strictly control of various expenses, and optimising production and logistics management in order to enhance operation efficiency and maximise performance. Affected by the industry environment, the number of projects and work orders obtained by the Group fell in 2015 as compared with year 2014.

As usual, we have completed and delivered a number of projects during the year. The contract of the subsea equipment for a deep water natural gas field in Australia was completed and delivered in early 2015 after over 30 months of fabrication since 2012. We achieved a record of zero injury for over 2 million working hours for this project, and the quality of the product exceeded customer's expectation and earned us the honour of "Year Recognition Contractor of 2014" from the end customer and build up a long-term global strategic partnership with this customer. After the completion and delivery of our first FPSO topside module project at the end of 2014, the Group has taken up another FPSO topside module project in 2015 for another world renowned oil equipment and facility supplier, thereby entering into the mainstream FPSO module fabrication market. Through partnership, we have received high regard from many internationally renowned customers. The newly contracted E-House facility-set manufacturing project, the fabrication of natural gas processing facility for Saudi Arabia and the fabrication of oil processing module to be installed in South America have commenced one by one during the year. We have also undertaken the construction of phase IV of our Zhuhai manufacturing site and installed new equipment and facilities so as to be well prepared for future business development.

Due to reduce of capital expenditures and price cut in outsource services of oil enterprises, the workload of offshore oil and gas technical support services business also declined in 2015. Facing unfavourable market circumstances, we surmounted the challenges by compressing our costs and launching more proactive marketing campaigns. We have also established the Zhoushan branch during the year to expand our business of offshore oil and gas technical support services further into the East China Sea region.

During the reporting year, the shipbuilding industry remained depressed, which has also caused pressure on our business of shipbuilding technical support services. In order to cope with market changes, our Dalian company has shifted its major business to the building of offshore engineering ships and deep water semi-submersible drilling rigs, and offshore engineering fabrication. In the meantime, we applied the successful experience that we learnt through years of collaboration with Dalian Shipbuilding Industry Offshore Company Limited to other markets including Liaohe, Yantai, Qingdao, Shanghai and Guangzhou. It has become the designated on-site drilling rig leg manufacturer in these five drilling platform fabrication sites, realising stable business development.

Our associate, Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal"), has adequate work orders during the year. Its manufacturing activities have overall progressed steadily and achieved satisfactory operating results.

PROSPECTS

The market currently anticipates that global crude oil supply will continue to outstrip demand and international oil prices will stay low in the next few years. As such, international oil companies will insist on limiting scale, upholding efficiency, curtailing investment and cutting costs for a relatively long period. Nevertheless, the leading position of oil and gas over the global energy will remain unchanged and even become more competitive in the market.

In the coming year, we will implement reforms in terms of our corporate governance. For examples, operating entities and management departments will be streamlined while the allocation of staff, operations and production will have better coordination. Given the current market conditions, we will strictly control fixed asset investment, tighten internal control, optimise management procedures, improve efficiency and reduce costs so as to maintain sound cash flows, strengthen overall competitiveness and maximise our performance.

After years of marketing efforts, we have developed a number of potential customers leveraging on our smooth collaboration with existing customers. The successful deliveries of various quality projects have also earned us good international reputation. Looking ahead to the coming year, we will put additional efforts into marketing, particularly in the Middle East and North America. We will adjust our strategies and focus on key business regions and customers according to market changes.

Capitalising on our advantageous fabrication sites, facilities, technologies and techniques, we will foster our oil and gas equipment fabrication business and module construction business, and continue to pursue technological advancements in the oil and gas sector. We will also expand into environmental protection business through studying and developing new operations in order to satisfy customers' needs while gaining new growth momentum.

By Order of the Board

CAO Yunsheng

CEO

Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL AND BUSINESS REVIEW

Turnover

In year 2015, the Group recorded turnover of approximately RMB658,566,000, representing a decrease of 30.74% or RMB292,315,000 as compared with year 2014. Turnover from the provision of technical support and related services for oil and gas industry and sales of related equipment and materials decreased by 7.80% or RMB9,570,000 as compared with year 2014. Turnover from the fabrication of oil and gas facilities and oil and gas processing skid equipment business decreased by 34.86% or RMB268,201,000 as compared with year 2014. Turnover from the provision of technical support services for shipbuilding industry decreased by 24.74% or RMB14,544,000 as compared with year 2014. The decrease in turnover was mainly due to decline of workload in the reporting year because several important potential projects in tracking were suspended or cancelled as a consequence of substantial decrease of investment in oil and natural gas industry over falling oil prices, as well as an influence of the global shipbuilding market downturns.

The table below sets out the analysis of turnover by business segments for the years 2015, 2014 and 2013:

	For the financial year ended 31 December					
	2015		2014		2013	
Business Segments	**RMB'000**	**Percentage to total turnover (%)**	RMB'000	Percentage to total turnover (%)	RMB'000	Percentage to total turnover (%)
1 Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	**113,172**	**17**	122,742	13	113,336	13
2 Fabrication of oil and gas facilities and oil and gas processing skid equipment	**501,139**	**76**	769,340	81	732,924	82
3 Provision of technical support services for shipbuilding industry	**44,255**	**7**	58,799	6	43,567	5
Total	**658,566**	**100**	950,881	100	889,827	100

Cost of sales and services

Cost of sales and services of the Group amounted to approximately RMB529,797,000 in year 2015, representing a decrease of 30.72% or RMB234,907,000 as compared with year 2014.

Gross profit

The total gross profit of the Group for the year 2015 amounted to approximately RMB128,769,000, representing a decrease of 30.84% or RMB57,408,000 as compared with RMB186,177,000 in year 2014. The overall gross profit margin decreased from 19.58% in year 2014 to 19.55%. The gross profit margin of the provision of technical support and related services for oil and gas industry and sales of related equipment and materials business decreased from 23.96% in year 2014 to 20.28%, whereas the gross profit margin of the fabrication of oil and gas facilities and oil and gas processing skid equipment business increased from 19.41% in year 2014 to 20.28%, and the gross profit margin of the provision of technical support services for shipbuilding industry business recorded a decrease from 12.71% in year 2014 to 9.4%.

The following shows the breakdown of gross profit by business segments for the years 2015, 2014 and 2013:

	For the financial year ended 31 December								
	2015			2014			2013		
Business Segments	**RMB'000**	**Gross profit margin (%)**	**Percentage to total gross profit (%)**	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)	RMB'000	Gross profit margin (%)	Percentage to total gross profit (%)
1 Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	**22,954**	**20**	**18**	29,403	24	16	30,596	27	14
2 Fabrication of oil and gas facilities and oil and gas processing skid equipment	**101,656**	**20**	**79**	149,302	19	80	187,643	26	84
3 Provision of technical support services for shipbuilding industry	**4,159**	**9**	**3**	7,472	13	4	5,137	12	2
Total	**128,769**		**100**	186,177		100	223,376		100

Other income

Other income of the Group increased by 322.07% or RMB22,603,000 as compared with year 2014. Other income recognised during the year mainly represents government grants recognised, net foreign exchange gains, reversal of impairment loss on gross amount due from customers for contract work, reversal of allowance for trade and other receivables, and the reversal of allowance for inventories.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 9.44% or RMB13,710,000 as compared with year 2014 to approximately RMB131,489,000, primarily due to decrease in staff costs from last year.

Finance costs

Finance costs reached approximately RMB10,358,000 in year 2015, which was mainly comprised of interests from bank borrowings of approximately RMB9,412,000 and bank charges and other finance costs of approximately RMB946,000.

Share of profit of an associate

The Group held 30% of equity interest in Penglai Jutal. In year 2015, Penglai Jutal recorded net profit of approximately RMB59,574,000. The Group's share of profit from Penglai Jutal amounted to approximately RMB17,872,000 under the equity method of accounting.

Profit attributable to owners of the Company and earnings per share

In year 2015, profit attributable to owners of the Company amounted to approximately RMB26,714,000, which represented a decrease of 6.12% or RMB1,742,000 as compared to that of RMB28,456,000 in year 2014. Basic and diluted earnings per share attributable to owners of the Company for year 2015 were RMB0.0334.

2. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the working funds (cash on hand and bank deposits) of the Group amounted to approximately RMB74,641,000 (2014: RMB108,510,000). During the year, net cash inflow from operating activities amounted to approximately RMB74,354,000, net cash outflow from investing activities amounted to RMB3,875,000, and net cash outflow from financing activities amounted to RMB104,997,000.

As at 31 December 2015, the Group had banking facilities amounted to approximately RMB688,743,000 (2014: RMB517,000,000), of which approximately RMB270,887,000 was utilised and approximately RMB417,856,000 was unutilised. Out of the unutilised banking facilities, approximately RMB212,124,000 was available for raising bank loans. As at 31 December 2015, bank borrowings of the Group amounted to approximately RMB131,476,000.

3. CAPITAL STRUCTURE

During the year, the Company issued 200,000 ordinary shares upon exercise of share options under the Company's share option scheme.

As at 31 December 2015, the share capital of the Company comprises 800,354,278 ordinary shares (2014: 800,154,278 ordinary shares).

As at 31 December 2015, net assets of the Group amounted to approximately RMB1,157,495,000 (2014: RMB1,126,369,000), comprising non-current assets of approximately RMB1,040,863,000 (2014: RMB1,009,436,000), net current assets of approximately RMB168,834,000 (2014: RMB154,583,000) and non-current liabilities of approximately RMB52,202,000 (2014: RMB37,650,000).

4. SIGNIFICANT INVESTMENT

During the year, the construction of the fourth phase of the Zhuhai site which mainly includes the plant and ancillary equipment and facilities was completed.

For the year ended 31 December 2015, the Group did not have any other significant investment.

5. FOREIGN EXCHANGE RISK

Most of the Group's business transactions, assets and liabilities are principally denominated in RMB, Euro and United States dollars ("US$"). During the year, the Group started to enter into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

6. ASSETS PLEDGED BY THE GROUP

As at 31 December 2015, approximately RMB22,141,000 of the bank deposits were pledged as security deposits for the issuance of performance bonds, letter of credits and bank acceptance. In addition, the Group has pledged bill receivables of RMB18,600,000 in favor of a commercial bank in China to obtain loans in more favorable terms.

7. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any 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 using a gearing ratio, which is bank borrowings divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

The gearing ratio at 31 December 2015 and at 31 December 2014 were as follows:

	2015 **RMB'000**	2014 RMB'000
Bank borrowings	**131,476**	232,240
Total equity	**1,157,495**	1,126,369
Gearing ratio	**11.36%**	20.44%

The decrease in gearing ratio during year 2015 resulted primarily from decrease of bank borrowings. After the substantially complete of the Group's fabrication site located in Zhuhai, the directors consider that the Group has sufficient funds to maintain the existing working capital requirement through cash flows generated from operation; existing level of bank borrowings and fund obtained from issue of additional shares.

MANAGEMENT DISCUSSION AND ANALYSIS

9. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had total 2,969 employees (2014: 3,353), of which 596 (2014: 664) were management and technical staff, and 2,373 (2014: 2,689) 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 contributes to social security funds including pension fund, medical, unemployment and industrial accident insurances for employees in the PRC, and contributes to mandatory provident fund for employees in Hong Kong according to corresponding 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 57, is an executive director and the chairman of the Company, who is responsible for the overall development strategic planning. 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 (渤海石油公司平臺製造廠) from 1982 to 1988 and Offshore Oil Company of Bohai Oil Company (渤海石油公司) from 1988 to 1995. Mr. Wang joined the Group in 1995, and was appointed as an executive director in November 2005.

Mr. Cao Yunsheng (曹雲生), aged 53, is an executive director and CEO of the Company, who is responsible for the overall operations of the Group. 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 as the deputy general manager and is in charge of the finance, administration and the capital operations of the Group and supervision of the Group's cash-flow management. Prior to joining the Group, he was the supervisor of the finance department and chief accountant of Bohai Petroleum Company Platform Manufacturing Factory (渤海石油公司平臺製造廠), the chief accountant of China Offshore Oil Platform Construction Company (中國海洋石油平臺製造公司) and a financial controller of CNOOC Engineering. Mr. Cao was appointed as an executive director in November 2005.

Mr. Tang Hui (唐暉), aged 44, is an executive director and president of the Company, who is responsible for the operations and management of the Group. 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, general manager of the Group's offshore oil and gas services business sector and assistant president of the Company. Prior to joining the Group, Mr. Tang had worked in Hunan Energy Group Co., Ltd. (湖南動力集團有限責任公司) and Hong Kong Far East Steel Engineering Co., Ltd. (香港遠東鋼鐵工程有限公司). Mr. Tang was appointed as an executive director in March 2016.

Mr. Li Jing (李靖), aged 48, is an executive director and vice president of the Company, who is responsible for the management of production, procurement and safety etc. of the Group. He was graduated from Sun Yat- Sen University (中山大學) with a bachelor's degree in enterprise management. Mr. Li joined the Group in 1999, and had served as operation manager and the manager of New Star System Formwork Co., Limited (鑫星系統模版有限公司). Mr. Li also served as the deputy manager of Penglai Jutal Offshore Engineering Heavy Industry Co., Ltd. (蓬萊巨濤海洋工程重工有限公司) from the year 2004 to 2009. Prior to joining the Group, Mr. Li had worked in CNOOC platform Fabrication Co. (中海油平臺製造公司), Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司) and Shenzhen Chiwan Sambawang Engineering Co. Ltd. (深圳赤灣勝寶旺工程有限公司). Mr. Li was appointed as an executive director in March 2016.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Su Yang (蘇洋), aged 48, is an independent non-executive director of the Company. Mr. Su obtained a bachelor's degree in statistics from Hunan University (湖南大學) and the Certificate of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 1992 and 1994 respectively. He has a wealth working experience in the field of accounting. Mr. Su had been project manager of Shenzhen Zhongcheng Certified Public Accountants (深圳中誠會計師事務所), department manager of Yuehua Certified Public Accountants Co., Ltd. Shenzhen (深圳岳華會計師事務所有限公司), a principal partner of Shenzhen TaiYang Certified Public Accountants (深圳泰洋會計師事務所) and a managing partner of Wuzhou Songde Certified Public Accountants (五洲松德聯合會計師事務所). He is currently a partner of Grant Thornton Certified Public Accountants (致同會計師事務所). Mr. Su was appointed as an independent non-executive director in August 2006.

Mr. Xiang Qiang (項強), aged 52, is an independent non-executive director of the Company. Mr. Xiang graduated from Beijing Tsinghua University (清華大學) with a bachelor's degree in architectural structural engineering in 1986, and obtained his MBA degree from Xiamen University (廈門大學) in 2000, studied from 2005 to 2007 and obtained EMBA degree from Cheung Kong Graduate School of Business (長江商學院). Mr. Xiang has extensive senior managerial experience. He has been appointed as the general manager, chairman or president of various entities in China with focus on different areas such as hospitality, securities, real estate project management and development, etc.. Mr. Xiang is currently the executive director and president of Scitech Group Company Limited (賽特集團有限公司). Mr. Xiang was appointed as an independent non-executive director in May 2008.

Mr. Qi Daqing (齊大慶), aged 52, is an independent non-executive director of the Company. Mr. Qi graduated from Fudan University with a bachelor's degree of science in Biophysics and a bachelor's degree of arts in International Journalism. He obtained a master's degree in Management from the University of Hawaii and a doctoral degree in Accounting from the Eli Broad College of Business, Michigan State University in the United States. Mr. Qi is currently a professor of Cheung Kong Graduate School of Business (長江商學院) and a member of the American Accounting Association. He had worked for The Chinese University of Hong Kong, the Eli Broad Graduate School of Management at Michigan State University in the United States, the East-West Center in the United States and the China Features in Xinhua News Agency in the PRC. Mr. Qi is also an independent non-executive director of Sohu.com Inc., Ikang Healthcare Group Inc., Momo Inc., SinoMedia Holding Ltd. (中視金橋國際傳媒控股有限公司) (Hong Kong Stock Code 623), Honghua Group Limited (宏華集團有限公司) (Hong Kong Stock Code 196), Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司) (Hong Kong Stock Code 3699), and Reorient Group Limited (瑞東集團有限公司) (Hong Kong Stock Code 376). Mr. Qi was appointed as an independent non-executive director in July 2015.

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 an associate member of The Institute of the Chartered Secretaries and Administrators in the United Kingdom, and an associate member of The Hong Kong Institute of Chartered Secretaries. Ms. Leung 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. Zhao Wuhui (趙武會), aged 42, is the vice president of the Company, responsible for management of finance and accounting, administration and human resource. 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 of the Group and deputy general manager of Penglai Jutal Offshore Engineering Heavy Industries Co., Ltd. (蓬萊巨濤海洋工程重工有限公司). Prior to joining the Group, he had worked with Kerry Oils & Grains (China) Co., Ltd. (嘉裡糧油(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. Shi Fei (石飛), aged 47, is the vice president of the Company, in charge of the engineering centre. He was graduated from Gansu University of Technology (甘肅工業大學) with a bachelor's degree in Engineering in 1992. Mr. Shi joined the Group in 2000 as a design manager and had worked in Propak Systems as engineer and manager from year 2003 to year 2014. Prior to joining to the Group, Mr. Shi had worked in Lanzhou Petroleum Machinery Research Institute (蘭州石油機械研究所).

Mr. He Rugang (賀汝剛), aged 53, is the vice president of the Company, who is responsible for the Group's commercial business and market development. He was graduated from Tianjin University (天津大學) with a bachelor's degree in offshore oil construction. Mr. He joined the Group in 1997 as a deputy general manager, and has been worked in the SBM Beijing Representative office, Dalian Shipbuilding Heavy Industry Group Offshore Engineering Co., Ltd. (大連船舶重工集團海洋工程有限公司), and CNOOC North Pars project as sales manager, deputy general manager and commercial manager respectively from year 2005 to year 2010. He was appointed the current position in January 2011. Prior to joining the Group, Mr. He had worked in CNOOC platform Fabrication Co. (中海油平臺製造公司) and Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司).

Mr. Jin Yan (金焱), aged 50, is the assistant president of the Company, who is responsible for the assist management of safety and equipments. He was graduated from the Mechanic Engineering Faculty of Nautical College (上海海運學院) (now the Engineering Mechanic Faculty of the Logistics Engineering College of Shanghai Maritime University (上海海事大學) in 1988. Mr. Jin joined the Group in March 2000. Prior to joining the Group, Mr. Jin was the manager and deputy general manager of the property department of Shenzhen Gold Industries Co., Ltd. (深圳黃金實業有限公司) and the technical supervisor and deputy manager of the technical department of Shekou China Merchants Port Service (招商港蛇口港務有限公司).

Mr. Li Jianping (李建平), aged 46, is the assistant president of the Company, who is in charge of the operation of the oil and gas services business and the Research and development department of the Group. Mr. Li joined the Group in 1999 and has served as production manager, marketing manager, deputy manager and general manager of the Group's oil and gas services business sector. Prior to joining the Group, Mr Li had worked in CNOOC platform Fabrication Co. (中海油平臺製造公司), Shenzhen Chiwan Offshore Engineering Co., Ltd. (深圳赤灣海洋工程有限公司) and CNOOC Engineering Shenzhen Reparation Company (海油工程深圳維修公司).

Mr. Xu Zhe (徐喆), aged 40, is the assistant president of the Company, who is responsible for the Group's commercial and marketing. He was graduated from Wuhan University of Water Resources and Hydroelectric Engineering (武漢水利水電大學) with a bachelor's degree in electro technology in 1996 and obtained a degree of executive master of business administration from the University of Texas at Arlington in 2011. Mr. Xu joined the Group in April 1998 and had served a number of positions in the Group including the project manager, procurement manager and commercial manager of the Group.

Mr. Tan Boon Seng (陳文成), aged 43, is the assistant president of the Company, who is responsible for the overseas marketing and business development of the Group. He was graduated in mechanical engineering of Ngee Ann Polytechnic. Mr. Tan joined the Group in 2015, and had served as Regional Marketing Manager. Prior to joining the Group, Mr. Tan had worked in Profab Engineering Pte Ltd, Worfin Heat Exchanger Co., Pfannenberg Asia Pacific Pte. Ltd. and ITT Industries.

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 2015.

PRINCIPLE ACTIVITIES AND BUSINESS REVIEW

The principle activity of the Company is investment holding.

The Group is mainly engaged in providing integrated services, including fabrication and technical support services in oil and gas industry and shipbuilding industry.

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, can be found in the "CEO Report" and the "Management Discussion and Analysis" and the "Notes to the Consolidated Financial Statements" in this annual report. 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 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's share premium reserve was approximately RMB851,263,000 (subject to section 34 of the Cayman Companies Law and the Article of Association of the Company), and the retained earnings approximately RMB69,393,000 were available for distribution to the shareholders of the Company (the "Shareholders").

Under the Companies Law of the Cayman Islands, the funds in the share premium account and the special reserve 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.

RESULTS AND DIVIDENDS

Details of the Group's result for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 34.

The Directors recommend the payment of final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement of the Group's property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND TRANSACTIONS INVOLVING SHARES OF THE COMPANY

In 2015, the authorised share capital of the Company is HK$15,000,000 (comprising 1,500,000,000 ordinary shares).

During the year, the Company issued 200,000 ordinary shares upon exercise of share options under the Company's share option scheme.

As at 31 December 2015, the share capital of the Company comprised of 800,354,278 ordinary shares (2014: 800,154,278 ordinary shares).

Details of the movements of the Company's share capital during the year are set out in note 38 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, the Company issued 200,000 ordinary shares upon exercise of share options under the Company's share option scheme.

Save as disclosed above, during the year ended 31 December 2015 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 90 of the annual report.

SHARE OPTION

The Company's share option scheme ("Share Option Scheme") was adopted on 28 August 2006 by the way of passing resolutions by all of the then Shareholders of the Company with a valid period of 10 years commencing on the date on which the shares of the Company commenced trading on the main board of the Stock Exchange. The 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 employees, 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 of Directors (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 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 27 May 2009. 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 49,800,000 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (498,000,000 Shares). The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

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 25 May 2012. 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 62,279,927 Shares, representing 10% of the shares in issue on the date of the said Annual General Meeting (622,799,278 Shares) and 7.78% of the shares in issue on the date of this annual report (800,354,278 shares). The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue from time to time.

According to the terms of the Share Option Scheme, 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 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.

DIRECTORS' REPORT

From 1 January 2007 to 31 December 2015, 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 in 2007

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2015	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	2,000,000	–	–	–	–	2,000,000	0.25%
Cao Yunsheng	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	–	–	–	–	1,000,000	0.12%
Chen Guocai	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	1,000,000	–	–	–	1,000,000	–	–
Zhao Wuhui	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	450,000	–	–	–	–	450,000	0.06%
Other eligible participants	16/03/2007	16/03/2008 to 15/03/2017	1.68	1.63	200,000	–	–	–	–	200,000	0.02%
Total					4,650,000	–		–	1,000,000	3,650,000	0.46%

(ii) Options granted in 2008

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2015	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	2,000,000	–	–	–	–	2,000,000	0.25%
Cao Yunsheng	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	–	–	–	–	1,200,000	0.15%
Chen Guocai	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,200,000	–	–	–	1,200,000	–	–
Zhao Wuhui	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	500,000	–	–	–	–	500,000	0.06%
Other eligible participants	12/03/2008	12/03/2009 to 11/03/2018	1.62	1.55	1,400,000	–	–	–	–	1,400,000	0.17%
Total					6,300,000	–		–	1,200,000	5,100,000	0.64%

(iii) Options granted in 2009

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2015	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	800,000	–	–	–	–	800,000	0.10%
Other eligible participants	14/08/2009	14/08/2010 to 13/08/2019	0.92	0.92	200,000	–	–	–	–	200,000	0.02%
Total					1,000,000	–		–	–	1,000,000	0.12%

(iv) Options granted in 2010

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2015	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Eligible participants	27/05/2010	27/05/2013 to 26/05/2020	0.93	0.88	3,900,000	–	–	–	1,500,000	2,400,000	0.30%
Total					3,900,000	–		–	1,500,000	2,400,000	0.30%

(v) Options granted in 2011

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options as at 1 January 2015	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Cao Yunsheng	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	1,000,000	–	–	–	–	1,000,000	0.12%
Other eligible participants	23/05/2011	23/05/2013 to 22/05/2021	1.06	1.04	2,900,000	200,000	1.61	–	1,000,000	1,700,000	0.21%
Total					3,900,000	200,000		–	1,000,000	2,700,000	0.34%

DIRECTORS' REPORT

(vi) Options granted in 2015

Name of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Closing price of the Shares immediately before the date of granting the options (HK$)	Number of options granted During the year	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 terms of the options or the share option scheme during the year	Number of options outstanding as at 31 December 2015	Shareholding percentage of the underlying shares for the Options in the share capital of the Company
Wang Lishan	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	5,000,000	-	-	-	-	5,000,000	0.62%
Cao Yunsheng	29/07/2015	29/07/2017 to 28/07/2025	0.86	0.83	8,000,000	-	-	-	-	8,000,000	1.00%
Total					13,000,000	-		-	-	13,000,000	1.62%

Each option granted under the Share Option Scheme during the period gives the holder the right to subscribe for one Share. The price for granting the options is HK$1. 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 daily quotation sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading 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 AND DIRECTORS' SERVICE CONTRACT

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

Executive Directors	Date of appointment	Date of resignation	Reason of resignation
Mr. Wang Lishan	24 November 2005	–	–
Mr. Cao Yunsheng	24 November 2005	–	–
Mr. Tang Hui	1 March 2016	–	–
Mr. Li Jing	1 March 2016	–	–
Mr. Chen Guocai	18 April 2007	20 March 2015	other personal commitment
Mr. Zhao Wuhui	25 May 2012	1 March 2016	other work arrangement
Mr. Li Chunyi	20 March 2015	1 March 2016	retirement

Independent Non-executive Directors	Date of appointment	Date of resignation	Reason of resignation
Mr. Su Yang	26 August 2006	–	–
Mr. Xiang Qiang	30 May 2008	–	–
Mr. Qi Daqing	31 July 2015	–	–
Mr. Lan Rong	30 May 2008	31 July 2015	devote more time on other commitments
Mr. Meng Liming	1 January 2015	31 July 2015	devote more time on other commitments

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 3 years, unless terminated by not less than 3 months' notice 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 independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years. Save for the Directors' fees of RMB10,000 per month for each independent non-executive Director, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an 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 is determined on a case by case basis depending on the Directors or employees' relevant experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided at the discretion of the Board to the relevant Directors or employees under their remuneration package; 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 Scheme adopted by the Company, 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 14 and note 46 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 was 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.

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 14 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

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

At 31 December 2015, 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 Part XV 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
Wang Lishan	Interest of a controlled corporation (Note 2)	396,911,278 (L)	49.59%
	Share options	9,000,000 (L)	1.12%
Cao Yunsheng	Interest of a controlled corporation (Note 3)	12,000,000 (L)	1.50%
	Share options	12,000,000 (L)	1.50%
Zhao Wuhui	Share options	950,000 (L)	0.12%

Notes:

1. *The letter "L" denotes a long position in the Shares.*
2. *The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Wang Lishan.*
3. *The 12,000,000 shares are held by Sino Joint International Limited, which is wholly-owned by Cao Yunsheng.*

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

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

At 31 December 2015, 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 Shareholder	Capacity	Number of shares	Percentage of shareholding
Cheung Hing Investments Limited	Beneficial Owner (Note2)	396,911,278 (L) (Note 1)	49.59%

Notes:

1. *The letter "L" denotes a long position in the Shares respectively.*
2. *The 396,911,278 Shares are held by Cheung Hing Investments Limited, which is wholly-owned by Mr. Wang Lishan, the chairman, director and substantial shareholder of the Company.*

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 year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as the options granted to the Directors under the Share Option Scheme, 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 66% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 19% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 29% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 9% of the Group's total purchases.

Except Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore"), which is an associate (as defined under the Listing Rules) of Prospering Investments Limited, a company beneficially wholly-owned by Mr. Wang Lishan, who is the chairman, an executive Director and a controlling shareholder of the Company (as defined under the Listing Rules), 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.

DIRECTORS' REPORT

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group encourages the staff to build long-term service, puts emphasis on staff development, formulates on-job training programs, and encourages the employees to pursue continuous education. The Group strives to create a fair and open competition environment, committed to nurturing dedicated talents who excel in management and have professional skills. 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's customers include oil and gas enterprises, main oil and gas construction contractors and professional equipment manufacturing contractors. We also provide our customers with customised facilities and solutions. The projects obtained by the Group are generally through tendering. We also enter into service agreements with certain customers on a continuous basis in order to provide daily technical support to them. While we emphasize on maintaining the relationships with our customers, we also dedicate to explore new customers.

The Group's suppliers include raw materials suppliers, equipment suppliers as well as labour and other services suppliers. Through comparing quality of materials and services, prices, track records and other aspects, the Group ascertains suppliers through a tendering system according to specific requirements of productions and various projects with reference to customer's feedback.

POLICIES ON HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION AND THE PERFORMANCE

Health, safety and environmental protection represent the core corporate culture of the Group. Based on OHSAS18001, the internationally recognised standard for management system of occupational safety and hygiene, and ISO14001, the standard of management system for environment, the Group has established a set of management system regarding health, safety and environmental protection, so that we can be in line with the principle of green development. Guided by the objective of "safety-foremost, prevention-oriented, environmental conservation, continuous improvement", we endeavor to eliminate and minimise the impact of our products on the ecosystem and regard resource conservation, environmental protection and sustainable development as the core of the growth of the Company's business.

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 our products. Indicators for energy consumption have also been set up to decrease the energy consumption per unit of our products. We try to reuse reusable materials whenever possible so as to minimise the consumption of resources, striving to realise clean production.

The Group separately collects and disposes of various types of industrial solid waste and household waste generated during the production process according to the principle of waste separation and collection. Recyclable resources are collected by qualified third parties for reuse. Hazardous wastes generated are collected and stored separately and are all handed to qualified environmental conservation corporations for handling according to the legally approved procedure for the transfer of hazardous waste.

The Group has established a clear manual and guidelines on occupational safety, health and environmental protection, with a professional department responsible for safety. Employees, contractors, suppliers, clients and visitors are provided with necessary safety and health education and managed separately in a specific manner. Clear and definite operation guidelines and safety signs have been set up at the site. Stringent operation approvals are adopted throughout the production process. Award and penalty system regarding safety is implemented and occupational safety is regularly analysed.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted by the subsidiaries in mainland China as well as subsidiaries in Hong Kong and Singapore. During the reporting year, the Group has complied with the relevant laws and regulations of each business location.

CONNECTED TRANSACTIONS

The Group's related parties or related party transactions for the year ended 31 December 2015 set out in note 46 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.

On 2 December 2014, the Company entered into a master service agreement ("Master Service Agreement") with Dalian Shipbuilding Offshore (a connected person of the Company by virtue of its being an associate (as defined under the Listing Rules) of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, who is the Chairman of the Company, an executive Director and a controlling shareholder (as defined under the Listing Rules)), pursuant to which Dalian Shipbuilding Offshore agrees to engage the Group to provide construction support services including constructions and other agreed services for a term of 36 months commencing from 1 January 2015 to 31 December 2017.

As the relevant percentage ratios on an annual basis exceeds 5% and the transactions amount under the Master Service Agreement exceeds HK$10,000,000, the transactions under the Master Service Agreement constitute a non-exempt continuing connected transactions ("CCT") for the Company and are subject to the reporting and announcement requirements and requires the approval of the Independent Shareholders.

The annual caps, being the maximum aggregate value for the CCT for the periods concerned under the Master Service Agreement are subject to annual caps and shall not exceed the amounts set out below:–

	Financial year ended/ending 31 December (RMB million)		
	2015	2016	2017
Annual caps	120	138	152

The Independent Shareholders approved the CCT and the respective annual caps for the three financial years ending 31 December 2015, 2016 and 2017 at the extraordinary general meeting held on 14 January 2015.

According to the Rule 14A.55 of the Listing Rules, the independent non-executive Directors had reviewed annually the CCT mentioned in the Master Service Agreement and confirmed that the transactions contemplated thereunder have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Further, in accordance with Rule 14A.56 of the Listing Rules, the Company's external auditor was requested and engaged to report on the Group's CCT in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The external auditor has confirmed in writing to the Board that nothing has come to its attention that causes it to believe that the CCT:

(1) have not been approved by the Board;

(2) were not, in all material respects, entered into in accordance with the pricing policies of the Group;

(3) were not, in all material respects, entered into in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the maximum aggregate annual value disclosed in relevant announcements.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 2015.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the year ended 31 December 2015. The Company has maintained liability insurance to provide appropriate cover for the Directors.

AUDITOR

At the Company's last Annual General Meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint RSM Hong Kong as external auditor of the Company. The Board confirms that there has been no change in auditors of the Company since 24 November 2005, the date of incorporation of the Company.

On behalf of the Board

Wang Lishan

CHAIRMAN

Hong Kong

31 March 2016

CORPORATE GOVERNANCE REPORT

The Company has adopted the Corporate Governance Code (the "Code Provisions") introduced in Appendix 14 of the Listing Rules to maintain a high standards 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 Code Provisions for the year ended 31 December 2015, save and except the Company provides the two board members, namely Mr. Cao Yunsheng and Mr. Zhao Wuhui, with monthly internal financial statements, instead of all board members, because they are responsible for overseeing the financial affairs of the Company. The remaining Directors have accessed to the monthly internal financial statements as well. The reason for such deviation from the Code Provisions is to enhance the Company's efficiency and confidentiality.

There are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

DIRECTORS' 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 of the Company have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

BOARD

The Board currently comprises four executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Wang Lishan (Chairman), Mr. Cao Yunsheng (CEO), Mr. Tang Hui, Mr. Li Jing

Independent Non-executive Directors

Mr. Su Yang, Mr. Xiang Qiang, Mr. Qi Daqing

Mr. Wang Lishan and Mr. Cao Yunsheng are 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 acknowledgment of the Company, among the members of the Board, none of them has any financial, business and relative relationship with the other members in the Board, including the chairman and the general manager. 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 independent non-executive Directors, the term for each Director is three years.

The responsibility of the Board is to lead and supervise the development direction and operation strategy of the Group, and to decide 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.

CORPORATE GOVERNANCE REPORT

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of this 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, during the year 2015, the Board performed following corporate governance duties in accordance with the terms of reference on the corporate governance duties:

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

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, the Company provided reading materials relating to the corporate governance and the amendments of the Listing Rules to all the Directors. Besides, the Directors also participated in the reading and learning the materials related to finance, corporate management and other professional knowledge etc. respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for prepare 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 33.

The Group has certain functions to be responsible for the internal control and risk management of the Company. The duties of the departments are to audit and review regularly the financial management, production and service procedures and documentation management system of the Company, and to report on the findings of the auditing. The executive Directors and senior management of the Group will be given a monthly financial report and management report so as to supervise the operation development of each business department and make reasonable planning.

The Board has conducted its annual review of the effectiveness of the system of internal control of the Group and agrees to the measures taken by the management for monitoring and risk controlling. The Board considered that the management should continue to maintain the company's system construction, conduct regular internal audits and strengthen the risk prediction capacity, as well as reporting on emergencies.

Furthermore, pursuant to the Code Provisions, the Board also reviewed the resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The board considered it is adequate of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmers and budget.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference which deal clearly with its duties. The audit committee of the Company has three members, including the three independent non-executive Directors of the Company, which are Mr. Su Yang, Mr. Qi Daqing and Mr. Xiang Qiang. Mr. Su Yang is the chairman of the audit committee. The primary duties of the audit committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms.

During the year, two audit committee meetings were held in the year to discuss and approve the Company's consolidated financial statements and the dividend payment, renew the external auditor. The audit committee adopted the auditor's suggestion and comments that need to improve and made the management to implement. All members attended the meetings. The audit committee also discussed with the management of the internal control system, reviewed the Company's financial controls, internal control and risk management regulations.

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 and evaluating the Group's system of internal controls. 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 the Company's consolidated financial statements for the year ended 31 December 2015. The audit committee also received reports and met with the independent auditors to discuss the general scope of their audit work and their assessment of Group internal controls.

Based on these reviews and discussions and the report of the independent auditors, the audit committee recommended for the Board's approval of the Company's consolidated financial statements for the year ended 31 December 2015.

The audit committee also reviewed and recommended to the Board approval of the unaudited financial statements for the first six months of 2015, prior to public announcement and filing.

The audit committee recommended to the Board that the Shareholders be asked to re-appoint RSM Hong Kong as the Group's external independent auditor for year 2016.

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 three independent non-executive Directors, which are Mr. Xiang Qiang, Mr. Su Yang, and Mr. Qi Daqing. Mr. Xiang Qiang is the chairman of the remuneration committee. The primary duties of the remuneration committee (inter alia) are to review and determine the remuneration package, bonus and other allowance terms payable to Directors and senior management, and to make proposals to the Board in respect of the remuneration policy and structure of all the Directors and senior management of the Group.

During the year, one remuneration committee meeting was held in the year to discuss and suggest:

(1) annual salary review for 2015 for the Directors and the senior management; and

(2) the remuneration policy.

CORPORATE GOVERNANCE REPORT

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 three independent non-executive directors, namely, Mr. Qi Daqing, Mr. Su Yang and Mr. Xiang Qiang. Mr. Qi Daqing 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. Basically the nomination procedure follows the articles of association of the Company. In considering the candidates, the nomination committee will take into account his past performance and experience, academic and working qualifications, general market conditions in accordance with 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, two nomination committee meetings were held in the year to:

(1) decide the names of the directors who should retired and be elected or re-elected at the annual general meeting;

(2) nominate Mr. Li Chunyi as the executive director to substitute Mr. Chen Guocai;

(3) nominate Mr. Qi Daqing as the independent non-executive director to substitute Mr. Meng Liming and Mr. Lan Rong; and

(4) review the roles of directors regularly by considering the issues of conflict of interest, their performance and conduct. All members attended the meetings.

SUMMARY OF BOARD DIVERSITY POLICY

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 nomination committee should focus more on the professional experience and technical knowledge of the directors in their process of recommendation and recruitment.

THE DIRECTORS' ATTENDANCE AT THE MEETINGS

During the year 2015, the Board held ten 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 2015 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	9/10	–	–	–	1/2
Mr. Cao Yunsheng	10/10	–	–	–	2/2
Mr. Chen Guocai	3/10	–	–	–	1/2
Mr. Zhao Wuhui	10/10	–	–	–	2/2
Mr. Li Chunyi	7/10	–	–	–	0/2
Mr. Su Yang	9/10	2/2	1/1	2/2	0/2
Mr. Xiang Qiang	6/10	2/2	1/1	2/2	0/2
Mr. Lan Rong	3/10	1/2	1/1	1/2	0/2
Mr. Meng Liming	4/10	1/2	1/1	2/2	0/2
Mr. Qi Daqing	2/10	1/2	0/1	0/2	0/2

Under provision A.6.7 of the Code Provisions, independent non-executive directors and other non-executive directors should also attend general meetings. Due to other business engagements, Mr. Wang Lishan could not attend the extraordinary general meeting of the Company held on 14 January 2015, Mr. Li Chunyi, Mr. Su Yang, Mr. Xiang Qiang, Mr. Lan Rong and Mr. Meng Liming could not attend the extraordinary general meeting of the Company held on 14 January 2015 and the annual general meeting of the Company held on 5 June 2015. However, there were other Directors present at the general meetings to enable the Board to develop a balanced understanding of the views of Shareholders of the Company and to answer questions raised at the general meetings.

THE AUDITOR'S REMUNERATION

RSM Hong Kong has been re-appointed as the Company's external auditor at the annual general meeting of 2015 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 2015 are as below:

	Fee paid/payable HK$
Audit services	1,080,000
Review of the interim report	230,000
Non-audit services	5,000

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". For the financial year ended 31 December 2015, Ms. Leung attended relevant professional training for not less than 15 hours pursuant to Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings maybe 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 of 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.

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.

SIGNIFICANT CHANGES ON THE ARTICLES OF ASSOCIATION

During the year 2015, there is no significant change to the articles of association of the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
JUTAL OFFSHORE OIL SERVICES LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jutal Offshore Oil Services Limited (the "Company") and its subsidiaries set out on pages 34 to 89, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	**2015** **RMB'000**	2014 RMB'000
Turnover	*8*	**658,566**	950,881
Cost of sales and services		**(529,797)**	(764,704)
Gross profit		**128,769**	186,177
Other income	*9*	**29,621**	7,018
Administrative expenses		**(126,912)**	(136,565)
Other operating expenses		**(4,577)**	(8,634)
Profit from operations		**26,901**	47,996
Finance costs	*11*	**(10,358)**	(16,763)
Share of profit of an associate	*22*	**17,872**	7,297
Profit before tax		**34,415**	38,530
Income tax expense	*12*	**(7,701)**	(10,074)
Profit for the year	*13*	**26,714**	28,456
Attributable to:			
Owners of the Company		**26,714**	28,456
Earnings per share	*16*		
		RMB	RMB
Basic		**3.34 cents**	3.74 cents
Diluted		**3.34 cents**	3.67 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	**26,714**	28,456
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,654**	2,262
Other comprehensive income for the year, net of tax	**9,654**	2,262
Total comprehensive income for the year	**36,368**	30,718
Attributable to:		
Owners of the Company	**36,368**	30,718

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	*17*	**536,971**	525,442
Prepaid land lease payments	*18*	**482**	547
Goodwill	*19*	**191,084**	182,090
Intangible assets	*20*	**3,375**	3,366
Investment in an associate	*22*	**308,186**	290,314
Deferred tax assets	*37*	**765**	7,677
		1,040,863	1,009,436
Current assets			
Inventories	*23*	**25,618**	19,752
Trade and bills receivables	*24*	**164,587**	288,518
Gross amount due from customers for contract work	*25*	**189,967**	215,333
Prepayments, deposits and other receivables	*26*	**78,334**	65,325
Derivative financial instruments	*27*	**926**	–
Due from directors	*28*	**1,147**	1,387
Due from an associate	*29*	**398**	170
Current tax assets		**227**	1,417
Pledged bank deposits	*30*	**22,141**	31,498
Bank and cash balances	*30*	**58,486**	95,426
		541,831	718,826
Current liabilities			
Trade and bills payables	*31*	**141,290**	217,164
Gross amount due to customers for contract work	*25*	**16,483**	5,452
Accruals and other payables	*32*	**78,180**	107,025
Derivative financial instruments	*27*	**2,356**	–
Warranty provisions	*33*	**3,058**	2,701
Bank borrowings	*34*	**131,476**	230,240
Current tax liabilities		**154**	1,661
		372,997	564,243
Net current assets		**168,834**	154,583
Total assets less current liabilities		**1,209,697**	1,164,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred revenue	*36*	**21,331**	8,000
Deferred tax liabilities	*37*	**30,871**	29,650
		52,202	37,650
NET ASSETS		**1,157,495**	1,126,369
Capital and reserves			
Share capital	*38*	**7,506**	7,504
Reserves	*41(a)*	**1,149,989**	1,118,865
TOTAL EQUITY		**1,157,495**	1,126,369

Approved by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Wang Lishan
Chairman

Cao Yunsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital	Share premium account	Special reserve	Convertible loan notes equity reserve	Foreign currency translation reserve	Share-based payment reserve	Warrants reserve	Statutory reserves	Retained profits	Proposed final dividend	Total equity
	(Note 38)	(Note 41(c)(i))	(Note 41(c)(iii))	(Note 41(c)(vi))	(Note 41(c)(v))	(Note 41(c)(ii))	(Note 41(c)(vii))	(Note 41(c)(iv))			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	6,958	755,972	(52,040)	2,951	(61,645)	13,888	–	36,385	304,521	11,564	1,018,554
Total comprehensive income for the year	–	–	–	–	2,262	–	–	–	28,456	–	30,718
Share-based payments	–	–	–	–	–	2,133	–	–	–	–	2,133
Issue of shares on subscription (note 38(b))	320	58,784	–	–	–	–	–	–	–	–	59,104
Issue of warrants (note 38(c))	–	–	–	–	–	–	160	–	–	–	160
Issue of shares on exercise of share options (note 38(a))	226	36,268	–	–	–	(9,057)	–	–	–	–	27,437
Share options forfeited	–	–	–	–	–	(832)	–	–	832	–	–
Transfer to statutory reserves	–	–	–	–	–	–	–	530	(530)	–	–
Dividends paid	–	–	–	–	–	–	–	–	(173)	(11,564)	(11,737)
2014 proposed final dividend	–	–	–	–	–	–	–	–	(6,401)	6,401	–
Changes in equity for the year	546	95,052	–	–	2,262	(7,756)	160	530	22,184	(5,163)	107,815
At 31 December 2014 and 1 January 2015	**7,504**	**851,024**	**(52,040)**	**2,951**	**(59,383)**	**6,132**	**160**	**36,915**	**326,705**	**6,401**	**1,126,369**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**9,654**	**-**	**-**	**-**	**26,714**	**-**	**36,368**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**991**	**-**	**-**	**-**	**-**	**991**
Issue of shares on exercise of share options (note 38(d))	**2**	**239**	**-**	**-**	**-**	**(71)**	**-**	**-**	**-**	**-**	**170**
Share options forfeited	**-**	**-**	**-**	**-**	**-**	**(1,527)**	**-**	**-**	**1,527**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,727**	**(1,727)**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(6,401)**	**(6,403)**
2015 proposed final dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,723)**	**6,723**	**-**
Changes in equity for the year	**2**	**239**	**-**	**-**	**9,654**	**(607)**	**-**	**1,727**	**19,789**	**322**	**31,126**
At 31 December 2015	**7,506**	**851,263**	**(52,040)**	**2,951**	**(49,729)**	**5,525**	**160**	**38,642**	**346,494**	**6,723**	**1,157,495**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**34,415**	38,530
Adjustments for:			
Finance costs		**10,358**	16,763
Share of profit of an associate		**(17,872)**	(7,297)
Equity settled share-based payments		**991**	2,133
Interest income		**(842)**	(725)
Depreciation		**28,389**	25,256
Amortisation of prepaid land lease payments		**65**	65
Amortisation of intangible assets		**1,176**	1,777
Net loss/(gain) on disposals of property, plant and equipment		**91**	(145)
Allowances for inventories		**–**	3,600
Reversal of allowance for inventories		**(3,248)**	–
Allowances for trade and other receivables		**2,754**	2,513
Reversal of allowance for trade and other receivables		**(3,075)**	(3,819)
Impairment losses on gross amount due from customers for contract work		**–**	1,558
Reversal of impairment losses on gross amount due from customers for contract work		**(5,970)**	–
Warranty provisions		**357**	765
Fair value loss on derivative financial instruments		**667**	–
Government grants income		**(8,423)**	(1,000)
Operating profit before working capital changes		**39,833**	79,974
(Increase)/decrease in inventories		**(2,618)**	12,091
Decrease/(increase) in trade and bills receivables		**124,242**	(72,366)
Decrease in gross amount due from customers for contract work		**31,336**	37,785
(Increase)/decrease in prepayments, deposits and other receivables		**(13,999)**	5,507
Decrease in amounts due from directors		**240**	409
Increase in amount due from an associate		**(228)**	(77)
(Decrease)/increase in trade and bills payables		**(75,874)**	43,051
Increase/(decrease) in gross amount due to customers for contract work		**11,031**	(9,392)
Decrease in accruals and other payables		**(28,845)**	(5,548)
Cash generated from operations		**85,118**	91,434
Income taxes refunded/(paid)		**115**	(16,711)
Interest paid		**(9,933)**	(16,265)
Other finance costs		**(946)**	(1,793)
Net cash generated from operating activities		**74,354**	56,665

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**842**	725
Purchases of property, plant and equipment		**(40,375)**	(122,194)
Proceeds from disposals of property, plant and equipment		**898**	1,372
Purchase of intangible assets		**(1,185)**	(739)
Acquisition of a subsidiary	*42*	**–**	(6,208)
Government grants received		**22,754**	8,000
Decrease/(increase) in pledged bank deposits		**12,428**	(589)
Net receipt from settlement of derivative financial instruments		**763**	–
Net cash used in investing activities		**(3,875)**	(119,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**263,942**	454,240
Repayment of bank loans		**(362,706)**	(458,000)
Dividends paid	*15*	**(6,403)**	(11,737)
Net proceeds from issue of shares on subscription	*38(b)*	**–**	59,104
Net proceeds from issue of warrants on placement	*38(c)*	**–**	160
Proceeds from issue of shares on exercise of share options	*38(d)*	**170**	27,437
Net cash (used in)/generated from financing activities		**(104,997)**	71,204
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(34,518)**	8,236
Effect of foreign exchange rate changes		**649**	9
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**108,510**	100,265
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**74,641**	108,510
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**58,486**	95,426
Pledged bank deposits		**16,155**	13,084
		74,641	108,510

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

	2015 RMB'000	2014 RMB'000
Pledged bank deposits (mature in three months or less)	**16,155**	13,084
Pledged bank deposits (mature after three months)	**5,986**	18,414
	22,141	31,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

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 21 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2015, Cheung Hing Investments Limited, a company incorporated in the Samoa, is the immediate and ultimate parent; and Mr. Wang Lishan is the ultimate controlling party of the Company.

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).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective (see below)

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (see below) (cont'd)

List of New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

2 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT 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 significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

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.

(b) Business combination and goodwill

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (cont'd)

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

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.

(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.

(e) Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated at rates appropriate 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	20 - 44 years
Plant and machinery	5 - 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Leasehold land	Over the term of the lease

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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.

(f) Intangible assets - patents and computer software

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 4 to 10 years.

(g) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. If the variations have not been agreed with customer, variations will be recognised only to the extent of contract cost incurred that it is probable will be recoverable.

Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue in a given period. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts. Revenue from a cost plus construction contract is recognised on the percentage-of-completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total costs of the relevant contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable. When it is probable that total contracts costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the consolidated statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the consolidated statement of financial position under "Accruals and other payables".

(j) 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 are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(n) 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.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(q) Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible loan notes equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

(r) 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.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Derivative financial instruments

All derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Revenue from the sales of equipments and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from technical consultancy services and repair and maintenance services is recognised as services are rendered.

Revenue from construction contracts is recognised based on the stage of completion of the contract activity as detailed in note 4(i) above.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) 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.

(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.

(w) Share-based payments

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

(x) 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.

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

(y) 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 revenue and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) 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 and associates, 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.

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.

(aa) Research and development expenditure

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

(bb) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(bb) Related parties (cont'd)

(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).

(cc) 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 unit 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 unit.

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

(dd) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ee) 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.

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.

(ff) 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. 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.

(a) 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 2015 was approximately RMB536,971,000 (2014: RMB525,442,000).

(b) Revenue and profit recognition

The Group estimates the percentage of completion of the construction contracts by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision. During the year, approximately RMB545,393,000 (2014: RMB828,139,000) of revenue from construction contracts was recognised.

(c) Income taxes

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, approximately RMB7,701,000 (2014: RMB10,074,000) of income tax expense was charged to profit or loss based on the Group's estimated profit for the year.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately RMB191,084,000 (2014: RMB182,090,000).

(e) Allowance for trade and other receivables

The Group recognises allowance for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 December 2015, allowances were made for trade receivables and other receivables of approximately RMB5,019,000 (2014: RMB7,463,000) and RMB2,147,000 (2014: RMB2,157,000) respectively.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 December 2015, allowance was made for slow-moving inventories of approximately RMB3,215,000 (2014: RMB6,463,000).

(g) Accounting for variation orders of construction contracts

The Group makes claims for additional work performed, which may arise either under specific circumstances provided for under the contracts or due to variation made to the contract specifications by customers. Where the amounts of such claims have not been formally agreed at the end of the reporting period, the amount recoverable as estimated by management is included in the contract value in determining the estimated profit or expected loss on the contract.

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, Euro and United States dollars ("US$"). During the year, the Group started to enter into foreign exchange forward contracts to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Foreign currency risk (cont'd)

At 31 December 2015, 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 RMB1,076,000 (2014: RMB3,295,000) lower, arising mainly as a result of the foreign exchange loss 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 RMB1,076,000 (2014: RMB3,295,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits and net position of trade receivables and trade payables denominated in US$.

At 31 December 2015, if the Euro had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB603,000 (2014: Nil) lower, arising mainly as a result of the foreign exchange loss on bank deposits and net position of trade receivables and accruals and other payables denominated in Euro. If the Euro had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB603,000 (2014: Nil) higher, arising mainly as a result of the foreign exchange gain on bank deposits and net position of trade receivables and accruals and other payables denominated in Euro.

(b) Credit risk

The Group's credit risk is primarily attributable to its bank and cash balances and trade and other receivables.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In respect of trade and other receivables balances, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the directors review the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate allowance are made for the estimated irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2015, one customer (2014: two) which individually contributed over 10% of the Group's trade and other receivables. The aggregate carrying amount of trade and other receivables from this customer amounted to 15% of the Group's total trade and other receivables as at 31 December 2015 (2014: 33%).

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015					
Trade and bills payables	**141,290**	**–**	**–**	**–**	**141,290**
Accruals and other payables	**69,811**	**–**	**–**	**–**	**69,811**
Bank borrowings (note)	**134,770**	**–**	**–**	**–**	**134,770**
At 31 December 2014					
Trade and bills payables	217,164	–	–	–	217,164
Accruals and other payables	99,580	–	–	–	99,580
Bank borrowings	234,381	–	–	–	234,381

Note:

Bank borrowing 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 2015, the undiscounted principal amounts of this bank borrowings amounted to approximately RMB3,876,000 (2014: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowing will be repaid after the end of the reporting period in accordance with the scheduled repayment dates or conditions set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to approximately RMB4,945,000 (2014: Nil).

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 those derivatives 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 31 December 2015					
Derivative – gross settlement					
Foreign exchange forward contracts					
– Inflow	**181,561**	**–**	**–**	**–**	**181,561**
– Outflow	**(183,938)**	**–**	**–**	**–**	**(183,938)**
	(2,377)	**–**	**–**	**–**	**(2,377)**

As at 31 December 2014, the Group did not have any derivative financial instruments.

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. Part of the Group's bank deposits and bank 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 2015, 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 RMB3,055,000 higher (2014: RMB4,643,000), arising mainly as a result of lower interest expenses on bank borrowings. 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 RMB3,055,000 (2014: RMB4,643,000) lower, arising mainly as a result of higher interest expenses on bank borrowings.

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

(e) Categories of financial instruments at 31 December

	2015	2014
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**276,988**	441,130
Derivative financial instruments	**926**	–
Financial liabilities:		
Financial liabilities at amortised cost	**342,577**	546,984
Derivative financial instruments	**2,356**	–

(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.

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

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

7. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements as at 31 December 2015 using level 2 RMB'000	31 December 2014 using level 2 RMB'000
Recurring fair value measurements:		
Financial assets		
Derivatives		
Foreign currency forward	**926**	–
Recurring fair value measurements:		
Financial liabilities		
Derivatives		
Foreign currency forward	**2,356**	–

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

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

Level 2 fair value measurements

Description	Valuation technique	Key inputs	Fair value 2015 RMB'000 Assets	Liabilities	2014 RMB'000 Assets	Liabilities
Derivatives – foreign currency forward	Discounted cash flows	Forward exchange rate; Contract forward rates; and Discount rate	926	(2,356)	–	–

8. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2015 RMB'000	2014 RMB'000
Revenue from construction contracts	**545,393**	828,139
Sales of goods	**37,810**	38,938
Other services rendered	**75,363**	83,804
	658,566	950,881

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grants recognised (note a)	**8,423**	1,000
Interest income on bank deposits	**842**	725
Net gain on disposals of property, plant and equipment	**–**	145
Net foreign exchange gains	**4,408**	623
Reversal of allowance for trade and other receivables	**3,075**	3,819
Reversal of impairment loss on gross amount due from customers for contract work	**5,970**	–
Reversal of allowance for inventories	**3,248**	–
Others	**3,655**	706
	29,621	7,018

(a) For the year ended 31 December 2015, government grants of approximately RMB3,884,000 (2014: RMB1,000,000) 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 RMB4,539,000 (2014: Nil) are recognised in relation to certain research and development activities.

10. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) Provision of technical support and related services for oil and gas industry and sales of related equipment and materials.

(b) Fabrication of oil and gas facilities and oil and gas processing skid equipment.

(c) Provision of technical support services for shipbuilding industry.

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

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, share of profit of an associate and income tax expense. Segment assets do not include goodwill, investment in an associate, derivative financial instruments, current and deferred tax assets, pledged bank deposits, bank and cash balances and other corporate assets. Segment liabilities do not include bank borrowings, derivative financial instruments, current and deferred tax liabilities, deferred revenue, and other corporate liabilities.

10. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities:

	Provision of technical support and related services for oil and gas industry and sales of related equipment and materials RMB'000	Fabrication of oil and gas facilities and oil and gas processing skid equipment RMB'000	Provision of technical support services for shipbuilding industry RMB'000	Total RMB'000
Year ended 31 December 2015				
Turnover from external customers	**113,172**	**501,139**	**44,255**	**658,566**
Segment profit	**22,954**	**101,656**	**4,159**	**128,769**
Depreciation and amortisation	**2,901**	**26,257**	**407**	**29,565**
Other material non-cash items:				
Allowance for trade and other receivables	**389**	**2,303**	**62**	**2,754**
Reversal of impairment losses on gross amount due from customers for contract work	**–**	**5,970**	**–**	**5,970**
Reversal of allowance for trade receivables	**–**	**3,075**	**–**	**3,075**
Additions to segment non-current assets	**1,933**	**40,127**	**21**	**42,081**
As at 31 December 2015				
Segment assets	**43,308**	**894,374**	**16,070**	**953,752**
Segment liabilities	**26,781**	**167,984**	**3,796**	**198,561**
Year ended 31 December 2014				
Turnover from external customers	122,742	769,340	58,799	950,881
Segment profit	29,403	149,302	7,472	186,177
Depreciation and amortisation	2,802	23,695	536	27,033
Other material non-cash items:				
Allowance for trade and other receivables	49	2,454	10	2,513
Impairment losses on gross amount due from customers for contract work	–	1,558	–	1,558
Reversal of allowance for trade receivables	104	3,715	–	3,819
Additions to segment non-current assets	11,537	116,429	257	128,223
As at 31 December 2014				
Segment assets	47,225	1,008,043	26,109	1,081,377
Segment liabilities	24,102	257,738	13,217	295,057

10. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2015 RMB'000	2014 RMB'000
Profit or loss		
Total profit or loss of reportable segments	**128,769**	186,177
Unallocated amounts:		
Finance costs	**(10,358)**	(16,763)
Other income	**29,621**	7,018
Other corporate expenses	**(131,489)**	(145,199)
Share of profit of an associate	**17,872**	7,297
Consolidated profit before tax for the year	**34,415**	38,530
Assets		
Total assets of reportable segments	**953,752**	1,081,377
Unallocated amounts:		
Bank and cash balances	**58,486**	95,426
Pledged bank deposits	**22,141**	31,498
Derivative financial instruments	**926**	–
Current tax assets	**227**	1,417
Deferred tax assets	**765**	7,677
Investment in an associate	**308,186**	290,314
Goodwill	**191,084**	182,090
Other corporate assets	**47,127**	38,463
Consolidated total assets	**1,582,694**	1,728,262
Liabilities		
Total liabilities of reportable segments	**198,561**	295,057
Unallocated amounts:		
Bank borrowings	**131,476**	230,240
Derivative financial instruments	**2,356**	–
Current tax liabilities	**154**	1,661
Deferred revenue	**21,331**	8,000
Deferred tax liabilities	**30,871**	29,650
Other corporate liabilities	**40,450**	37,285
Consolidated total liabilities	**425,199**	601,893

10. SEGMENT INFORMATION (CONT'D)

Geographical information:

The Group's turnover from external customers by location of customers and information about its non-current assets (excluding deferred tax assets) by location of assets are detailed below:

	Turnover		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC except Hong Kong	**377,576**	576,354	**1,039,882**	1,001,449
Hong Kong	**–**	–	**216**	310
Singapore	**116,412**	133,546	**–**	–
Netherlands	**91,539**	122,935	**–**	–
Portugal	**51,453**	84,369	**–**	–
Other Asian Countries	**221**	22,661	**–**	–
Others	**21,365**	11,016	**–**	–
Consolidated total	**658,566**	950,881	**1,040,098**	1,001,759

Turnover from major customers:

	Provision of technical support and related services for oil and gas industry and sales of related equipment and materials	Fabrication of oil and gas facilities and oil and gas processing skid equipment	Provision of technical support services for shipbuilding industry	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015				
Customer A	**72,739**	**52,026**	**3,506**	**128,271**
Customer B	**25,563**	**48,525**	**34,572**	**108,660**
Customer C	**–**	**91,539**	**–**	**91,539**
Customer D	**–**	**53,292**	**–**	**53,292**
Customer E	**1,043**	**33,592**	**18**	**34,653**
Year ended 31 December 2014				
Customer A	62,074	182,519	5,614	250,207
Customer B	11,407	64,201	46,301	121,909
Customer C	–	119,810	3,124	122,934
Customer D	–	121,707	–	121,707
Customer E	–	115,287	999	116,286

11. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	**9,933**	16,265
Amount capitalised	**(521)**	(1,295)
	9,412	14,970
Others	**946**	1,793
	10,358	16,763

The weighted average capitalisation rate on funds borrowed generally is at a rate of 5.7% per annum (2014: 6.1%).

12. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	**157**	7,918
Over-provision in prior years	**(589)**	(479)
	(432)	7,439
Deferred tax (note 37)	**8,133**	2,635
	7,701	10,074

(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 2015 and 2014.

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

Zhuhai Jutal is a sino-foreign equity joint venture established in the PRC. Zhuhai Jutal was approved to recognise as a new and high technology enterprise since the year ended 31 December 2010 and has renewed during the year ended 31 December 2013. Zhuhai Jutal is therefore entitled to enjoy a reduced income tax rate of 15% from year 2013 to year 2015.

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

(c) Tax charge on profits assessable elsewhere have 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.

12. INCOME TAX EXPENSE (CONT'D)

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

	2015 RMB'000	2014 RMB'000
Profit before tax (excluding share of profit of an associate)	**16,543**	31,233
Tax at the PRC enterprise income tax rate of 25% (2014: 25%)	**4,136**	7,808
Tax effect of income that is not taxable	**(1,716)**	(1,620)
Tax effect of expenses that are not deductible	**6,364**	7,556
Tax effect of tax losses not recognised	**2,009**	1,236
Tax effect of utilisation of tax losses not previously recognised	**–**	(279)
Tax effect of temporary differences not recognised	**–**	(301)
Deferred tax on undistributed earnings of the PRC subsidiaries and an associate	**1,142**	294
Tax benefit for qualifying research and development expenses	**(3,005)**	(2,414)
Over-provision in prior years	**(589)**	(479)
Effect of different tax rates of subsidiaries	**(640)**	(1,727)
Income tax expense	**7,701**	10,074

13. PROFIT FOR THE YEAR

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

		2015 RMB'000	2014 RMB'000
(a)	Staff costs (including directors' emoluments):		
	Salaries, wages and other benefits	**272,595**	324,869
	Retirement scheme contributions	**11,565**	12,011
	Share-based payments	**991**	2,133
		285,151	339,013
(b)	Others items:		
	Amortisation of intangible assets@	**1,176**	1,777
	Cost related to acquisition of a subsidiary	**–**	105
	Depreciation	**28,389**	25,256
	Net loss on disposals of property, plant and equipment*	**91**	–
	Net gain on disposals of property, plant and equipment#	**–**	(145)
	Net foreign exchange gains#	**(4,408)**	(623)
	Operating lease charges		
	– Plant and equipment	**7,757**	18,957
	– Land and buildings	**8,608**	10,658
	Research and development expenditure	**25,633**	21,043
	Auditor's remuneration	**1,061**	1,064
	Cost of inventories utilised in construction contracts and sold	**112,973**	222,118
	Allowance for inventories*	**–**	3,600
	Reversal of allowance for inventories#	**(3,248)**	–
	Allowance for trade and other receivables*	**2,754**	2,513
	Reversal of allowance for trade and other receivables#	**(3,075)**	(3,819)
	Impairment loss on gross amount due from customers for contract work*	**–**	1,558
	Reversal of impairment loss on gross amount due from customers for contract work#	**(5,970)**	–
	Fair value loss on derivative financial instruments*	**667**	–

* *These amounts are included in "Other operating expenses"*

\# *These amounts are included in "Other income"*

@ *This amount is included in "Administrative expenses"*

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees	**Salaries and allowances**	**Discretionary bonus**	**Share-based payments**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wang Lishan	**–**	**1,944**	**–**	**335**	**44**	**2,323**
Cao Yunsheng	**–**	**1,042**	**–**	**536**	**44**	**1,622**
Chen Guocai (note b)	**–**	**174**	**–**	**–**	**7**	**181**
Zhao Wuhui (note g)	**–**	**652**	**–**	**–**	**44**	**696**
Li Chunyi (note d)	**–**	**414**	**–**	**–**	**–**	**414**
	–	**4,226**	**–**	**871**	**139**	**5,236**
Independent non-executive directors						
Su Yang	**120**	**–**	**–**	**–**	**–**	**120**
Lan Rong (note e)	**70**	**–**	**–**	**–**	**–**	**70**
Xiang Qiang	**120**	**–**	**–**	**–**	**–**	**120**
Meng Liming (note c)	**70**	**–**	**–**	**–**	**–**	**70**
Qi Daqing (note f)	**50**	**–**	**–**	**–**	**–**	**50**
Gao Liangyu (note a)	**–**	**–**	**–**	**–**	**–**	**–**
	430	**–**	**–**	**–**	**–**	**430**
Total for 2015	**430**	**4,226**	**–**	**871**	**139**	**5,666**
Executive directors						
Wang Lishan	–	1,920	–	–	40	1,960
Cao Yunsheng	–	1,642	–	68	40	1,750
Chen Guocai (note b)	–	1,242	–	68	40	1,350
Zhao Wuhui (note g)	–	852	–	–	40	892
	–	5,656	–	136	160	5,952
Independent non-executive directors						
Su Yang	120	–	–	–	–	120
Lan Rong (note e)	120	–	–	–	–	120
Xiang Qiang	120	–	–	–	–	120
Gao Liangyu (note a)	120	–	–	–	–	120
	480	–	–	–	–	480
Total for 2014	480	5,656	–	136	160	6,432

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

(a) Directors' emoluments (cont'd)

Notes:

(a) Mr. Gao Liangyu resigned as independent non-executive director on 1 January 2015.

(b) Mr. Chen Guocai resigned as executive director on 20 March 2015.

(c) Mr. Meng Liming was appointed as independent non-executive director on 1 January 2015 and resigned subsequently on 31 July 2015.

(d) Mr. Li Chunyi was appointed as executive director on 20 March 2015 and resigned subsequent to the financial year on 1 March 2016.

(e) Mr. Lan Rong resigned as independent non-executive director on 31 July 2015.

(f) Mr. Qi Daqing was appointed as independent non-executive director on 31 July 2015.

(g) Mr. Zhao Wuhui resigned as executive director subsequent to the financial year on 1 March 2016.

(h) Mr. Tang Hui and Mr. Li Jing were appointed as executive directors subsequent to the financial year on 1 March 2016.

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included three (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2014: two) individuals are set out below:

	2015 **RMB'000**	2014 RMB'000
Basic salaries and allowances	**1,636**	2,565
Discretionary bonus	**–**	–
Share-based payments	**–**	252
Retirement benefits scheme contributions	**89**	40
	1,725	2,857

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
HK$500,001 to HK$1,000,000 (approximately RMB405,001 to RMB810,000)	**1**	–
HK$1,000,001 to HK$1,500,000 (approximately RMB810,001 to RMB1,215,000)	**1**	1
HK$2,000,001 to HK$2,500,000 (approximately RMB1,620,001 to RMB2,025,000)	**–**	1

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.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

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

Pursuant to a master service agreement dated 2 December 2014 made between the Company and Dalian Shipbuilding Industry Offshore Company Limited ("Dalian Shipbuilding Offshore"), Dalian Shipbuilding Offshore agrees to engage the Group to provide construction support services including constructions and other agreed services. Contract revenue and other sales income received/receivable from Dalian Shipbuilding Offshore was amounted to approximately RMB67,964,000 for the year ended 31 December 2015 (2014: RMB83,941,000). Mr. Wang Lishan, an executive director of the Company, is interested in this transaction to the extent that Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan.

Save for contracts amongst group companies and the aforementioned transaction, no other 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.

15. DIVIDENDS

	2015 **RMB'000**	2014 RMB'000
2014 final dividend of HK$0.01 (2014: 2013 final dividend of HK$0.02) per ordinary share	**6,403**	11,737

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 of HK$0.01 per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

16. EARNINGS PER SHARE

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

	2015 **RMB'000**	2014 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**26,714**	28,456

	2015	2014
Number of shares		
Issued ordinary shares at 1 January	**800,154,278**	731,899,278
Effect of shares issued on subscription	**–**	17,753,425
Effect of shares issued on exercise of share options	**135,890**	11,857,123
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**800,290,168**	761,509,826
Effect of dilutive potential ordinary shares arising from share options	**218,184**	13,247,330
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**800,508,352**	774,757,156

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Leasehold land RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2014	185,851	58,476	18,603	18,225	192,773	32,724	506,652
Additions	1,607	19,603	4,662	2,621	38,409	56,587	123,489
Acquisition of a subsidiary (note 42)	–	1,008	10	77	–	–	1,095
Reclassification	73,783	12,599	–	–	–	(86,382)	–
Disposals	–	(2,793)	(736)	(916)	–	–	(4,445)
Exchange realignment	–	6	15	7	–	–	28
At 31 December 2014 and 1 January 2015	**261,241**	**88,899**	**22,554**	**20,014**	**231,182**	**2,929**	**626,819**
Additions	**–**	**9,766**	**1,285**	**496**	**–**	**29,349**	**40,896**
Reclassification	**6,991**	**–**	**–**	**–**	**–**	**(6,991)**	**–**
Disposals	**(724)**	**(280)**	**(7)**	**(2,200)**	**–**	**–**	**(3,211)**
Exchange realignment	**–**	**17**	**11**	**27**	**–**	**–**	**55**
At 31 December 2015	**267,508**	**98,402**	**23,843**	**18,337**	**231,182**	**25,287**	**664,559**
Accumulated depreciation							
At 1 January 2014	20,842	24,800	9,887	13,433	10,353	–	79,315
Charge for the year	7,812	7,678	3,276	1,886	4,604	–	25,256
Disposals	–	(2,016)	(296)	(906)	–	–	(3,218)
Exchange realignment	–	6	16	2	–	–	24
At 31 December 2014 and 1 January 2015	**28,654**	**30,468**	**12,883**	**14,415**	**14,957**	**–**	**101,377**
Charge for the year	**9,012**	**8,896**	**3,488**	**1,941**	**5,052**	**–**	**28,389**
Disposals	**–**	**(18)**	**(4)**	**(2,200)**	**–**	**–**	**(2,222)**
Exchange realignment	**–**	**17**	**11**	**16**	**–**	**–**	**44**
At 31 December 2015	**37,666**	**39,363**	**16,378**	**14,172**	**20,009**	**–**	**127,588**
Carrying amount							
At 31 December 2015	**229,842**	**59,039**	**7,465**	**4,165**	**211,173**	**25,287**	**536,971**
At 31 December 2014	232,587	58,431	9,671	5,599	216,225	2,929	525,442

The charge on Group's property, plant and equipment was released on 9 April 2015 and as at 31 December 2015, none of the Group's property, plant and equipment was pledged as security. At 31 December 2014 the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to approximately RMB214,010,000.

18. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their net book value are analysed as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**547**	612
Amortisation of prepaid land lease payments	**(65)**	(65)
At 31 December	**482**	547

19. GOODWILL

	RMB'000
Cost and carrying amount	
At 1 January 2014	177,637
Arising on acquisition of a subsidiary (note 42)	2,204
Exchange difference	2,249
At 31 December 2014 and 1 January 2015	182,090
Exchange difference	8,994
At 31 December 2015	191,084

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:

	2015 RMB'000	2014 RMB'000
The share of interest in an associate - Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal")	**188,880**	179,886
Undersea maintenance services	**2,204**	2,204
At 31 December	**191,084**	182,090

As at 31 December 2015 and 31 December 2014, no impairment loss on goodwill is recognised.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates, budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business of the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5% (2014: 5%) and 3% (2014: 3%) for the Group's share of interest in Penglai Jutal and undersea maintenance services activities respectively. These rates do not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's share of interest in Penglai Jutal and undersea maintenance services activities are 11.62% (2014: 13.63%) and 17.31% (2014: 19.02%) respectively.

20. INTANGIBLE ASSETS

	Patents and computer software RMB'000
Cost	
At 1 January 2014	4,715
Additions	739
Acquisition of a subsidiary (note 42)	2,900
At 31 December 2014 and 1 January 2015	**8,354**
Additions	**1,185**
At 31 December 2015	**9,539**
Accumulated amortisation	
At 1 January 2014	3,211
Amortisation for the year	1,777
At 31 December 2014 and 1 January 2015	**4,988**
Amortisation for the year	**1,176**
At 31 December 2015	**6,164**
Carrying amount	
At 31 December 2015	**3,375**
At 31 December 2014	3,366

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 5 years (2014: 3.2 years).

21. SUBSIDIARIES

Particulars of the major subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operation	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	5 ordinary shares of US$1 each	100%	–	Investment holding
Indirectly held:					
Jutal Engineering Company Limited	Hong Kong	2 ordinary shares	–	100%	Provision of technical support and related services for oil and gas industry and sale of related equipment and materials
Jutal Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	–	100%	Investment holding
Hong Kong Jutal Holdings Limited	Hong Kong	157,045,432 ordinary shares	–	100%	Investment holding
Stand Success Resources Limited	British Virgin Islands	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	Registered capital of HK$10,000,000	–	100%	Provision of technical support and related services for oil and gas industry and sale of related equipment and materials
深圳巨濤機械設備有限公司* (Shenzhen Jutal Machinery Equipment Company Limited)	PRC	Registered capital of RMB200,000,000	–	100%	Fabrication of oil and gas facilities and oil and gas processing skid equipment, provision of technical supporting and related services for oil and gas industry and sale of related equipment and materials and provision of technical support services for shipbuilding industry
珠海巨濤海洋石油服務有限公司# (Zhuhai Jutal Offshore Oil Services Company Limited)	PRC	Registered capital of US$48,153,678	–	100%	Design and manufacture of oil and gas processing skid equipment
巨濤海洋船舶工程服務(大連)有限公司# (Jutal Offshore Shipbuilding Services (Dalian) Company Limited)	PRC	Registered capital of HK$33,330,000	–	100%	Provision of technical support services for shipbuilding industry
成都巨濤油氣工程有限公司 (Chengdu Jutal Oil and Gas Engineering Co., Ltd.)	PRC	Registered capital of RMB10,000,000	–	100%	Provision of technical support and related services for oil and gas industry
深圳市藍海潛水工程有限公司 (Shenzhen Marine Diving Engineering Co., Ltd.)	PRC	Registered capital of RMB10,000,000	–	100%	Provision of undersea maintenance services

* *Registered as a wholly-foreign-owned enterprise established in the PRC*

\# *Registered as a sino-foreign equity joint venture established in the PRC*

21. SUBSIDIARIES (CONT'D)

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

As at 31 December 2015, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB55,961,000 (2014: RMB105,007,000). 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.

22. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Unlisted investments:		
Share of net assets	**308,186**	290,314

Details of the Group's associate at 31 December 2015 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing**
Penglai Jutal Offshore Engineering Heavy Industries Company Limited (蓬萊巨濤海洋工程重工有限公司)	PRC	Registered capital of US$43,500,000	30%

Principal activities:

(a) Sales and construction of (i) facilities for provision of offshore oil and natural gas exploration; (ii) quayside machineries and (iii) chemical engineering facilities;

(b) Design, fabrication, installation and repair of steel formation structures; and

(c) Provision of other quayside and warehouse services.

Penglai Jutal is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of Penglai Jutal.

	2015 RMB'000	2014 RMB'000
At 31 December		
Non-current assets	**994,002**	940,912
Current assets	**916,038**	582,616
Non-current liabilities	**(85,660)**	(182,790)
Current liabilities	**(797,094)**	(373,026)
Net assets	**1,027,286**	967,712
Group's share of net assets	**308,186**	290,314

22. INVESTMENT IN AN ASSOCIATE (CONT'D)

	2015 RMB'000	2014 RMB'000
Year ended 31 December		
Turnover	**1,469,770**	707,959
Profit from continuing operations	**59,574**	24,322
Other comprehensive income	**–**	–
Total comprehensive income	**59,574**	24,322
Dividends received from the associate	**–**	–

As at 31 December 2015, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to approximately RMB169,192,000 (2014: RMB74,633,000). 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.

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**25,618**	19,752

Because certain slow-moving raw materials were used in the Group's construction contracts during the year ended 31 December 2015, allowance made in prior years against the inventories of approximately RMB3,248,000 (2014: Nil) was reversed.

24. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**146,506**	263,766
Allowance for doubtful debts	**(5,019)**	(7,463)
	141,487	256,303
Bills receivables	**23,100**	32,215
	164,587	288,518

The Group's trade receivables mainly represent progress billings receivables from contract customers.

The Group's trading terms with contract 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 contracts. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2015 RMB'000	2014 RMB'000
0 to 30 days	**71,522**	95,784
31 to 90 days	**37,171**	102,574
91 to 365 days	**10,949**	43,502
Over 365 days	**21,845**	14,443
	141,487	256,303

24. TRADE AND BILLS RECEIVABLES (CONT'D)

As at 31 December 2015, trade receivables aged over 90 days includes retentions receivables amounted to approximately RMB12,610,000 (2014: RMB7,335,000).

At 31 December 2015, bills receivables of approximately RMB18,600,000 (2014: RMB19,950,000) were pledged to banks to secure certain bank loans.

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately RMB5,019,000 (2014: RMB7,463,000). The reconciliation of allowance for trade receivables is as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**7,463**	8,808
Allowance for the year	**2,754**	2,474
Reversal	**(3,065)**	(3,819)
Amounts written off	**(2,133)**	–
At 31 December	**5,019**	7,463

As of 31 December 2015, trade receivables of approximately RMB23,910,000 (2014: RMB44,116,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015	2014
	RMB'000	RMB'000
Up to 3 months	**5,483**	31,860
3 to 6 months	**3,943**	8,128
Over 6 months	**14,484**	4,128
	23,910	44,116

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

	2015	2014
	RMB'000	RMB'000
RMB	**131,277**	184,104
US$	**27,610**	104,414
Euro	**5,700**	–
Total	**164,587**	288,518

25. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**1,059,068**	1,212,844
Less: Progress billings	**(885,777)**	(1,002,084)
Add: Exchange differences	**193**	(879)
	173,484	209,881
Gross amount due from customers for contract work	**189,967**	215,333
Gross amount due to customers for contract work	**(16,483)**	(5,452)
	173,484	209,881

In respect of construction contracts in progress at the end of the reporting period, retentions receivables included in trade and bills receivables amounted to approximately RMB12,931,000 (2014: RMB8,710,000). None of the retentions receivables is expected to be recovered after more than twelve months (2014: RMB2,938,000).

Advances received in respect of construction contracts amounted to approximately RMB8,369,000 at 31 December 2015 (2014: RMB7,445,000) and is included in accruals and other payables.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	**42,119**	17,549
Deposits	**3,972**	5,355
Other receivables	**34,390**	44,578
	80,481	67,482
Less: Allowance for other receivables	**(2,147)**	(2,157)
	78,334	65,325

As at 31 December 2015, an allowance was made for estimated irrecoverable other receivables of approximately RMB2,147,000 (2014: RMB2,157,000). The reconciliation of allowance for other receivables is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**2,157**	2,118
Allowance for the year	**–**	39
Reversal	**(10)**	–
At 31 December	**2,147**	2,157

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Financial assets		
Derivatives not under hedge accounting:		
Foreign currency forward	**926**	–
Financial liabilities		
Derivatives not under hedge accounting:		
Foreign currency forward	**2,356**	–

At 31 December 2015, the Group had outstanding forward foreign exchange contracts mainly to hedge the foreign currency risk arising from certain of its contract revenue and trade receivables denominated in Euro and US$. The maximum notional principal amounts of these outstanding forward foreign exchange contracts at 31 December 2015 were as follows:

	2015 RMB'000	2014 RMB'000
Sell US$ for RMB	**182,724**	–
Sell Euro for RMB	**71,428**	–

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 HKAS 39 "Financial Instruments: Recognition and Measurement" 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 RMB667,000 (2014: Nil) was charged to the profit or loss for the year ended 31 December 2015.

28. DUE FROM DIRECTORS

Due from directors represents cash advanced to directors and have the following terms and conditions:

Name	Terms	Balance at 31 December 2015 RMB'000	Balance at 1 January 2015 RMB'000	Maximum amount outstanding during the year RMB'000
Wang Lishan	Unsecured, interest-free and no fixed repayment terms	**777**	746	1,156
Cao Yunsheng	Unsecured, interest-free and no fixed repayment terms	**370**	641	767
		1,147	1,387	

Amounts due from directors represents cash advance to directors to be used for the Group's daily operation.

29. DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 35 to the consolidated financial statements.

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

	2015 RMB'000	2014 RMB'000
RMB	**55,961**	105,007
HK$	**1,162**	3,470
US$	**8,516**	18,366
Euro	**14,919**	–
Others	**69**	81
	80,627	126,924

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.

31. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**115,833**	205,777
Bills payables	**25,457**	11,387
	141,290	217,164

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

	2015 RMB'000	2014 RMB'000
0 to 30 days	**64,535**	65,274
31 to 90 days	**21,423**	42,236
91 to 365 days	**20,835**	89,636
Over 365 days	**9,040**	8,631
	115,833	205,777

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

	2015 RMB'000	2014 RMB'000
RMB	**137,729**	211,191
US$	**3,561**	5,973
Total	**141,290**	217,164

32. ACCRUALS AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Accrued staff salaries	**29,440**	53,799
Receipt in advances	**8,369**	7,445
Other payables	**25,555**	32,904
Payables for purchases of property, plant and equipment	**12,249**	10,665
Others	**2,567**	2,212
	78,180	107,025

33. WARRANTY PROVISIONS

	2015 RMB'000	2014 RMB'000
At 1 January	**2,701**	1,936
Additional provisions	**357**	765
Provisions used	**–**	–
At 31 December	**3,058**	2,701

The warranty provision represents the Group's best estimate of the Group's liability under 18 - 60 months warranties granted to its customers on fabrication of subsea equipment contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the industry average of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings	**131,476**	230,240

The bank borrowings are repayable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**127,600**	230,240
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**3,876**	–
	131,476	230,240
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(131,476)**	(230,240)
Amount due for settlement after 12 months	**–**	–

34. BANK BORROWINGS (CONT'D)

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**131,476**	149,950
HK$	**–**	52,000
US$	**–**	28,290
	131,476	230,240

The average interest rate of the Group's bank borrowings at 31 December 2015 was 5.32% (2014: 5.78%) per annum.

Bank borrowings of approximately RMB87,600,000 (2014: RMB158,290,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank borrowings were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank borrowings of approximately RMB18,600,000 (2014: RMB55,950,000) are secured by a charge over the Group's bills receivables (note 24). (2014: secured by a charge over the Group's property, plant and equipment and bills receivables).

35. BANKING FACILITIES

At 31 December 2015, the Group had approximately RMB417,856,000 (2014: RMB431,068,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans, letters of credit, bank guarantees, etc.

As at 31 December 2015, the Group had obtained bank guarantees under performance bonds for construction contracts of approximately RMB44,118,000 (2014: RMB57,718,000).

36. DEFERRED REVENUE

		2015 RMB'000	2014 RMB'000
At 1 January		**8,000**	–
Addition during the year		**17,870**	8,000
Recognised as income and included in the Group's other income		**(4,539)**	–
At 31 December		**21,331**	8,000
Represented by:	*Note*		
Government grant A	*(i)*	**15,598**	8,000
Government grant B	*(ii)*	**5,733**	–
At 31 December		**21,331**	8,000
Analysed as:			
Non-current liabilities		**21,331**	8,000

36. DEFERRED REVENUE (CONT'D)

Notes:

(i) During the year, the Group received approximately RMB11,500,000 (2014: RMB8,000,000) government grant in relation to a development project, including certain research and development activities, construction of production premises and acquisition 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 revenue and a portion of the deferred revenue 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 will be credited to profit or loss when the related research and development activities are successfully completed. The Group has an obligation to repay the grant if the grant is not utilised for the development project. Deferred revenue of approximately RMB3,902,000 (2014: Nil) was transferred to profit or loss for the year ended 31 December 2015.

(ii) During the year, the Group received approximately RMB6,370,000 (2014: Nil) government grant in relation to a development project, including construction of certain production premises and acquisition of certain plant and machineries.

The grant is recognised as deferred revenue and the deferred revenue 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 revenue of approximately RMB637,000 (2014: Nil) was transferred to profit or loss for the year ended 31 December 2015.

37. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

	Accelerated tax depreciation RMB'000	Investment in an associate 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 2014	2,230	18,158	8,082	2,247	(9,193)	(2,186)	19,338
Charge to profit or loss for the year (note 12)							
– Changes in temporary differences	(61)	532	(521)	(238)	6,133	(3,210)	2,635
At 31 December 2014 and 1 January 2015	**2,169**	**18,690**	**7,561**	**2,009**	**(3,060)**	**(5,396)**	**21,973**
Charge to profit or loss for the year (note 12)							
– Changes in temporary differences	**(118)**	**1,051**	**5,424**	**91**	**2,077**	**(392)**	**8,133**
At 31 December 2015	**2,051**	**19,741**	**12,985**	**2,100**	**(983)**	**(5,788)**	**30,106**

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

	2015 **RMB'000**	2014 RMB'000
Deferred tax liabilities	**30,871**	29,650
Deferred tax assets	**(765)**	(7,677)
	30,106	21,973

At the end of reporting period the Group has unused tax losses of approximately RMB31,056,000 (2014: RMB30,443,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB4,476,000 (2014: RMB12,238,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB26,580,000 (2014: RMB18,205,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB8,037,000, RMB4,420,000, RMB389,000 and RMB21,000 that can be carried forward by five years, four years, three years and one year respectively. Other tax losses may be carried forward indefinitely (2014: included in unrecognised tax losses are losses of approximately RMB4,420,000, RMB389,000, RMB21,000 and RMB315,000 that can be carried forward by five years, four years, two years and one year respectively. Other tax losses may be carried forward indefinitely).

37. DEFERRED TAX (CONT'D)

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 RMB2,100,000 (2014: RMB2,009,000). No 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.

38. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2014: HK$0.01) each		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	**1,500,000,000**	**15,000**

	Note	**Number of Shares**	**Amount** HK$'000	**Equivalent to Amount** RMB'000
Issued and fully paid:				
Ordinary shares of HK0.01 (2014: HK$0.01) each				
At 1 January 2014		731,899,278	7,319	6,958
Exercise of share options	*(a)*	28,255,000	283	226
Issue of shares on subscription	*(b)*	40,000,000	400	320
At 31 December 2014 and 1 January 2015		**800,154,278**	**8,002**	**7,504**
Exercise of share options	*(d)*	**200,000**	**2**	**2**
At 31 December 2015		**800,354,278**	**8,004**	**7,506**

Note:

(a) Share options were exercised by option holders during the year ended 31 December 2014 to subscribe for a total of 28,255,000 ordinary shares in the Company at total consideration of approximately HK$34,297,000 equivalent to approximately RMB27,437,000 of which approximately RMB226,000 was credited to share capital and the balance of approximately RMB27,211,000 was credited to the share premium account. Approximately RMB9,057,000 has been transferred from the share-based payment reserve to the share premium account.

(b) On 7 July 2014, the Company and not less than six independent investors entered into a share subscription agreement in respect of subscription of 40,000,000 ordinary shares of HK$0.01 each to the independent investors at a price of HK$1.85 per share. The subscription was completed on 23 July 2014 and the premium on the issue of shares, amounting to approximately RMB58,784,000, net of share issue expenses, was credited to the Company's share premium account.

(c) On 7 July 2014, the Company and not less than six independent entered into a warrants subscription agreement in respect of subscription of 20,000,000 warrants of HK$0.01 each to the independent investors. Each warrant entitle the holder to subscribe for one new ordinary share of the Company at subscription price of HK$2.1 at any time during a period from the seventh months to thirty-sixth months commencing from the date of issue of the warrants. The subscription was completed on 23 July 2014 and the proceeds on the issue of warrants, amounting to approximately RMB160,000, net of warrant issue expenses, was credited to the Company's warrants reserve account.

(d) Share options were exercised by option holders during the year ended 31 December 2015 to subscribe for a total of 200,000 ordinary shares in the Company at total consideration of approximately HK$212,000 equivalent to approximately RMB170,000 of which approximately RMB2,000 was credited to share capital and the balance of approximately RMB168,000 was credited to the share premium account. Approximately RMB71,000 has been transferred from the share-based payment reserve to the share premium account.

38. SHARE CAPITAL (CONT'D)

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 bank borrowings divided by total equity of the Group. The Group's policy is to keep the gearing ratio at a reasonable level.

The gearing ratio as at the 31 December 2015 is as follows:

	2015	2014
	RMB'000	RMB'000
Bank borrowings	**131,476**	230,240
Total equity	**1,157,495**	1,126,369
Gearing ratio	**11.36%**	20.44%

The decrease in gearing ratio during year 2015 resulted primarily from decrease of bank borrowings. After the substantially complete of the Group's fabrication site located in Zhuhai, the directors consider that the Group has sufficient funds to maintain the existing working capital requirement through cash flows generated from operation; existing level of bank borrowings and fund obtained from issue of additional shares.

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 2015, 48.91% (2014: 47.65%) of the shares were in public hands.

39. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 Scheme became effective on 21 September 2006 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 May 2012 in which refreshment of the scheme mandate limit was approved at the annual general meeting. At at 31 December 2015, the total number of shares issuable under the Scheme is 62,279,927 shares, representing 7.78% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

39. SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (cont'd)

Share options granted to a director, chief executive or Substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors (excluding an independent non-executive Director who is the Grantee of the Options). In addition, any share options granted to a Substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

	Date of grant	**Vesting period**	**Exercise period**	**Exercise price** HK$
2007A	16 March 2007	16 March 2007 to 15 March 2008	16 March 2008 to 15 March 2017	1.68
2007B	16 March 2007	16 March 2007 to 15 March 2009	16 March 2009 to 15 March 2017	1.68
2008A	12 March 2008	12 March 2008 to 11 March 2009	12 March 2009 to 11 March 2018	1.62
2008B	12 March 2008	12 March 2008 to 11 March 2010	12 March 2010 to 11 March 2018	1.62
2009A	14 August 2009	14 August 2009 to 13 August 2010	14 August 2010 to 13 August 2019	0.92
2009B	14 August 2009	14 August 2009 to 13 August 2011	14 August 2011 to 13 August 2019	0.92
2010A	27 May 2010	27 May 2010 to 26 May 2013	27 May 2013 to 26 May 2020	0.93
2010B	27 May 2010	27 May 2010 to 26 May 2014	27 May 2014 to 26 May 2020	0.93
2010C	27 May 2010	27 May 2010 to 26 May 2015	27 May 2015 to 26 May 2020	0.93
2011A	23 May 2011	23 May 2011 to 22 May 2013	23 May 2013 to 22 May 2021	1.06
2011B	23 May 2011	23 May 2011 to 22 May 2014	23 May 2014 to 22 May 2021	1.06
2015A	29 July 2015	29 July 2015 to 28 July 2017	29 July 2017 to 28 July 2025	0.86
2015B	29 July 2015	29 July 2015 to 28 July 2018	29 July 2018 to 28 July 2025	0.86

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.

39. SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (cont'd)

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

	2015		2014	
	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	19,750,000	1.35	51,080,000	1.26
Granted during the year	13,000,000	0.86	–	–
Forfeited during the year	(4,700,000)	1.29	(3,075,000)	1.11
Exercised during the year	(200,000)	1.06	(28,255,000)	1.21
Outstanding at the end of the year	27,850,000	1.13	19,750,000	1.35
Exercisable at the end of the year	14,850,000	1.37	15,850,000	1.46

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.59. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.1 years (2014: 4.1 years) and the exercise price ranges from HK$0.86 to HK$1.68 (2014: HK$0.92 to HK$1.68).

In 2015, options were granted on 29 July 2015. The estimated fair value of the options on this date is approximately RMB5,045,000. This estimated fair value was calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	2015
Number of share options granted	13,000,000
Grant date share price	HK$0.86
Expected volatility	66.77%
Expected life	10 years
Risk free rate	1.8%
Expected dividend yield	1.16%

Expected volatility was determined by calculating the historical volatility of the Company's share price since it's 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 behavioural considerations.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in a subsidiary		**423,453**	387,768
Current assets			
Prepayments, deposits and other receivables		**288**	1,123
Due from subsidiaries		**542,649**	522,877
Bank and cash balances		**503**	2,120
		543,440	526,120
Current liabilities			
Accruals and other payables		**1,096**	2,613
Due to subsidiaries		**43,901**	36,544
Financial guarantee contract liability		**40,709**	47,518
		85,706	86,675
Net current assets		**457,734**	439,445
NET ASSETS		**881,187**	827,213
Capital and reserves			
Share capital		**7,506**	7,504
Reserves	*41(b)*	**873,681**	819,709
TOTAL EQUITY		**881,187**	827,213

The Company's statement of financial position was approved by the Board of Directors on 31 March 2016 and signed on its behalf by:

Wang Lishan
Chairman

Cao Yunsheng
Director

41. 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	Warrants reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2014	755,972	2,951	(102,278)	13,888	–	35,275	11,564	717,372
Share-based payments	–	–	–	2,133	–	–	–	2,133
Issue of shares on subscription (note 38(b))	58,784	–	–	–	–	–	–	58,784
Issue of warrants (note 38(c))	–	–	–	–	160	–	–	160
Issue of shares on exercise of share options (note 38(a))	36,268	–	–	(9,057)	–	–	–	27,211
Share options forfeited	–	–	–	(832)	–	832	–	–
Total comprehensive income for the year	–	–	7,505	–	–	18,281	–	25,786
Dividends paid	–	–	–	–	–	(173)	(11,564)	(11,737)
2014 proposed final dividend	–	–	–	–	–	(6,401)	6,401	–
At 31 December 2014 and 1 January 2015	**851,024**	**2,951**	**(94,773)**	**6,132**	**160**	**47,814**	**6,401**	**819,709**
Share-based payments	**–**	**–**	**–**	**991**	**–**	**–**	**–**	**991**
Issue of shares on exercise of share options (note 38(d))	**239**	**–**	**–**	**(71)**	**–**	**–**	**–**	**168**
Share options forfeited	**–**	**–**	**–**	**(1,527)**	**–**	**1,527**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**39,162**	**–**	**–**	**20,054**	**–**	**59,216**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(2)**	**(6,401)**	**(6,403)**
2015 proposed final dividend	**–**	**–**	**–**	**–**	**–**	**(6,723)**	**6,723**	**–**
At 31 December 2015	**851,263**	**2,951**	**(55,611)**	**5,525**	**160**	**62,670**	**6,723**	**873,681**

41. RESERVES (CONT'D)

(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 of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(w) to the consolidated financial statements.

(iii) Special reserve

The special reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation as set out in the prospectus of the Company dated 11 September 2006.

(iv) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(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(d)(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 recognised in accordance with the accounting policy adopted for convertible loans in note 4(q) to the consolidated financial statements.

(vii) Warrants reserve

Warrants reserve represents fair value of consideration received from the subscription of warrants as details in note 38(c). It is transferred to share premium account when the warrant is exercised or released directly to retained profits when the warrant is expired.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of a subsidiary

On 20 January 2014 the Group acquired 100% of the issued share capital of 深圳市藍海潛水工程有限公司 (Shenzhen Marine Diving Engineering Co., Ltd.) ("SZ Marine") for a cash consideration of RMB6,300,000. SZ Marine was engaged in provision of undersea maintenance services during the year ended 31 December 2014 and was acquired to enable the Group to participate in undersea maintenance service business and to broaden the source of income.

The fair value of the identifiable assets and liabilities of SZ Marine acquired as at the date of acquisition is as follows:

Net assets acquired:	RMB'000
Property, plant and equipment	1,095
Intangible assets	2,900
Trade receivables	479
Prepayments, deposits and other receivables	104
Bank and cash balances	92
Trade payables	(393)
Accruals and other payables	(181)
	4,096
Goodwill	2,204
Satisfied by:	
Cash	6,300
Net cash outflow arising on acquisition:	
Cash consideration paid	6,300
Cash and cash equivalents acquired	(92)
	6,208

The goodwill arising on the acquisition of SZ Marine is attributable to the anticipated profitability of the distribution of the Group's services in the new market and the anticipated future operating synergies from the combination.

SZ Marine contributed approximately RMB7,071,000 to the Group's turnover and contributed loss of approximately RMB650,000 to the Group's profit for the year ended 31 December 2014 for the period between the date of acquisition and the end of year 2014.

If the acquisition had been completed on 1 January 2014 the Group's turnover for the year ended 31 December 2014 would have no change and profit for the year would have been approximately RMB28,303,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

43. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

44. CAPITAL COMMITMENTS

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

	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment	**11,081**	1,142

45. LEASE COMMITMENTS

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases of which the Group as lessee are payable as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**4,522**	2,673
In the second to fifth years, inclusive	**1,185**	1,917
After five years	**564**	588
	6,271	5,178

Operating lease payments represent rentals payable by the Group for certain of its office, staff quarters, warehouses, machineries and motor vehicles. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

46. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

		2015	2014
	Note	**RMB'000**	RMB'000
Contract revenue received/receivable from an associate, Penglai Jutal		**5,593**	–
Contract revenue and other sales income received/receivable from a related company, Dalian Shipbuilding Offshore	*(a)*	**67,964**	83,941
Subcontracting expenses paid/payable to a related company, Ocean Shine Decal Industries (Shenzhen) Ltd ("Ocean Shine")	*(b)*	**–**	181

(a) *Dalian Shipbuilding Offshore is an associate of Prospering Investments Limited, a Company beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company. At 31 December 2015, contract revenue receivable of approximately RMB6,817,000 (2014: RMB12,138,000) from Dalian Shipbuilding Offshore was included in the Group's trade and bills receivables.*

(b) *Ocean Shine is a company incorporated in the PRC with limited liability and beneficially wholly-owned by Mr. Wang Lishan, the chairman of the Company, an executive director and is the ultimate controlling party of the Company.*

The related party transactions with Dalian Shipbuilding Offshore constitute as continuing connected transactions as defined in Chapter 14A of the Listing Rules, further details of which are included in the Directors' Report on pages 25 to 26.

47. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

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				
	2011	2012	2013	2014	**2015**
Turnover	493,348	608,614	889,827	950,881	**658,566**
Profit for the year attributable to owners of the Company	9,306	41,394	55,645	28,456	**26,174**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
Total assets	1,059,559	1,269,569	1,595,612	1,728,262	**1,582,694**
Total liabilities	(234,497)	(395,294)	(577,058)	(601,893)	**(425,199)**
Total equity	825,062	874,275	1,018,554	1,126,369	**1,157,495**

LIQUIDITY AND GEARING RATIO

	As at 31 December				
	2011	2012	2013	2014	**2015**
Current Ratio[1]	1.41	1.10	1.27	1.27	**1.45**
Quick Ratio[2]	1.37	1.07	1.21	1.24	**1.38**
Gearing Ratio[3]	11.76%	14.41%	22.97%	20.44%	**11.36%**

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) *Asset-liability ratio is calculated as bank borrowing divided by total equities and multiplied by 100%.*

(4) *Both current ratio and quick ratio as at 31 December 2015 have been improved as compared with 31 December 2014, mainly attributable to (i) the remarkable decrease of receivables with positive operating cash inflow in year 2015, and (ii) the remarkable decrease of bank borrowings due to reduced investment expenditure in year 2015 compared with year 2014.*